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FREEMAN FINTECH CORPORATION LIMITED

民眾金融科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 279)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

INTERIM RESULTS

The Board of Directors (the “Board”) of Freeman FinTech Corporation Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2017 together with the unaudited comparative figures for 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2017

		For the six months ended 30 September	
	<i>Notes</i>	2017	2016
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	3	289,607	41,835
Cost of sales		(5,527)	(30,099)
Gross profit		284,080	11,736
Other income and gains	3	22,594	153,909
Fair value gains/(losses) on investments at fair value through profit or loss, net		(10,508)	129,961
General and administrative expenses		(60,490)	(39,247)

		For the six months ended	
		30 September	
	<i>Notes</i>	2017	2016
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Other expenses, net		–	(959)
Finance costs	4	(86,002)	(5,635)
Share of profits and losses of an associate and a joint venture, net		92,117	(7,652)
		<hr/>	<hr/>
PROFIT BEFORE TAX	5	241,791	242,113
Income tax credit/(expense)	6	(2,614)	4,097
		<hr/>	<hr/>
PROFIT FOR THE PERIOD		239,177	246,210
		<hr/>	<hr/>
Attributable to:			
Owners of the Company		231,145	246,210
Non-controlling interests		8,032	–
		<hr/>	<hr/>
		239,177	246,210
		<hr/>	<hr/>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		HK1.53 cents	HK1.72 cents
		<hr/>	<hr/>
Diluted		HK1.53 cents	HK1.69 cents
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<u>239,177</u>	<u>246,210</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Change in fair values	(65,573)	–
Exchange difference arising on translating foreign operations	33,614	–
Share of other comprehensive loss of an associate	<u>(6,918)</u>	<u>(3,416)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(38,877)</u>	<u>(3,416)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>200,300</u></u>	<u><u>242,794</u></u>
Attributable to:		
Owners of the Company	184,934	242,794
Non-controlling interests	<u>15,366</u>	<u>–</u>
	<u><u>200,300</u></u>	<u><u>242,794</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2017

	<i>Notes</i>	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		17,356	2,241
Goodwill	15	659,169	–
Investment in an associate		10,716	663,461
Investment in a joint venture		136,611	136,804
Intangible assets		1,736	1,736
Available-for-sale investments	9	1,082,408	663,483
Finance lease receivables	10	289,464	3,500
Note receivable	11	–	400,000
Deposits		15,035	17,695
		<hr/>	<hr/>
Total non-current assets		2,212,495	1,888,920
CURRENT ASSETS			
Accounts receivable	12	531,705	230,304
Available-for-sale investments	9	1,495,020	–
Loans receivable		2,246,355	226,899
Factoring receivables	13	292,277	268,671
Finance lease receivables	10	281,310	9,649
Notes receivable	11	–	800,000
Prepayments, deposits and other receivables		69,937	34,288
Investments at fair value through profit or loss		525,758	362,100
Restricted bank deposits		187,586	–
Cash and bank balances		284,195	614,918
		<hr/>	<hr/>
Total current assets		5,914,143	2,546,829
CURRENT LIABILITIES			
Accounts payable	14	13,483	22,274
Other payables and accruals		142,073	14,230
Interest-bearing borrowings		359,337	200,000
Tax payable		25,026	1,415
		<hr/>	<hr/>
Total current liabilities		539,919	237,919
NET CURRENT ASSETS		<hr/> 5,374,224	<hr/> 2,308,910
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 7,586,719	<hr/> 4,197,830

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Interest-bearing borrowings	834,900	732,000
Other payables	1,029,600	–
Convertible bonds	967,668	–
Deferred tax liability	964	68
	<hr/>	<hr/>
Total non-current liabilities	2,833,132	732,068
	<hr/>	<hr/>
Net assets	4,753,587	3,465,762
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	15,701	14,324
Reserves	4,051,364	3,451,438
	<hr/>	<hr/>
	4,067,065	3,465,762
Non-controlling interests	686,522	–
	<hr/>	<hr/>
Total equity	4,753,587	3,465,762
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017

1.1 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2017.

1.2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2017, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, which are effective for the first time for the Group’s annual periods beginning on or after 1 April 2017.

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in these condensed consolidated financial statements.

The Group has not applied any new standards or interpretation that is not yet effective for the current accounting period. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether those new and revised HKFRSs would have a significant impact on these condensed consolidated financial statements.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has reportable operating segments as follows:

- (a) trading of securities and futures segment engages in the purchase and sale of securities and futures investments;
- (b) provision of finance segment engages in the provision of financing services in Hong Kong;
- (c) insurance brokerage business segment engages in insurance brokerage business and provision of financial planning and related services;
- (d) securities and futures brokerage, placing, underwriting and margin financing segment engages in the provision of securities and futures brokerage services, provision of placing, underwriting and margin financing in Hong Kong;
- (e) factoring, financial guarantee and finance leasing segment engages in the provision of factoring, financial guarantee and finance leasing services and related activities;
- (f) investment holding segment engages in holding investments for continuing strategic or long term purposes, primarily for dividend income and capital appreciation; and
- (g) corporate finance advisory segment engages in the provision of corporate finance advisory services and related activities.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank and other interest income (excluding interest income from the provision of finance, margin financing and factoring and finance leasing activities), finance costs as well as head office and corporate expenses are excluded from such measurement.

Intersegment transactions are made with reference to the prices used for services made to third parties at the then prevailing market prices.

No analysis of the Group's assets and liabilities by operating segments was provided to the management for review during the six months ended 30 September 2017 and 2016 for the purposes of resource allocation and performance assessment.

During the six months ended 30 September 2017, the Group acquired subsidiaries which are principally engaged in financial guarantee and finance leasing services that the performance was presented under factoring, financial guarantee and finance leasing segment.

For the six months ended 30 September 2017

	Trading of securities and futures (Unaudited) HK\$'000	Provision of finance (Unaudited) HK\$'000	Insurance brokerage business (Unaudited) HK\$'000	Securities and futures brokerage, placing, underwriting and margin financing (Unaudited) HK\$'000	Factoring, financial guarantee leasing (Unaudited) HK\$'000	Investment holding (Unaudited) HK\$'000	Corporate finance advisory (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	125,267	89,612	4,272	53,202	17,254	-	-	289,607
Intersegment sales	-	-	-	-	-	-	-	-
	<u>125,267</u>	<u>89,612</u>	<u>4,272</u>	<u>53,202</u>	<u>17,254</u>	<u>-</u>	<u>-</u>	<u>289,607</u>
<i>Reconciliation:</i>								
Elimination of intersegment sales								<u>-</u>
Total revenue								<u><u>289,607</u></u>
Segment results	96,300	89,215	1,055	38,680	11,617	88,727	(701)	324,893
<i>Reconciliation:</i>								
Bank interest income								84
Other interest income								70
Investment income								19,445
Corporate and other unallocated expenses								(16,699)
Finance costs								<u>(86,002)</u>
Profit before tax								<u><u>241,791</u></u>

For the six months ended 30 September 2016

	Trading of securities and futures (Unaudited) <i>HK\$'000</i>	Provision of finance (Unaudited) <i>HK\$'000</i>	Insurance brokerage business (Unaudited) <i>HK\$'000</i>	Securities and futures brokerage, placing, underwriting and margin financing (Unaudited) <i>HK\$'000</i>	Investment holding (Unaudited) <i>HK\$'000</i>	Corporate finance advisory (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment revenue:							
Sales to external customers	(21,488)	3,313	25,662	34,348	–	–	41,835
Intersegment sales	–	–	–	–	–	–	–
	(21,488)	3,313	25,662	34,348	–	–	41,835
<i>Reconciliation:</i>							
Elimination of intersegment sales							–
Total revenue							<u>41,835</u>
Segment results	103,048	515	1,887	21,715	135,899	(1)	263,063
<i>Reconciliation:</i>							
Bank interest income							3
Other interest income							3
Corporate and other unallocated expenses							(15,321)
Finance costs							<u>(5,635)</u>
Profit before tax							<u>242,113</u>

Geographic information

(a) Revenue from external customers

	For the six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong	272,353	41,835
The People's Republic of China (the "PRC")	17,254	—
Total	<u>289,607</u>	<u>41,835</u>

The geographic location of revenue from external customers is based on the location of the customers at which the services were rendered.

(b) Non-current assets

	30 September	31 March
	2017	2017
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Hong Kong	15,530	3,774
The PRC	662,731	203
Total	<u>678,261</u>	<u>3,977</u>

The geographic location of the non-current assets is based on the location of the operations to which they are allocated.

3. REVENUE, OTHER INCOME AND GAINS

Revenue represents interest income earned from the provision of finance; dividend income from investments at fair value through profit or loss; net gains/(losses) from the sale of investments at fair value through profit or loss; insurance brokerage income; corporate finance advisory fee; commission and brokerage income from securities and futures dealings; commission from underwriting and placing services; interest income on margin financing activities; commission and fees on financial guarantee services; factoring interest income and finance lease interest income during the period.

An analysis of revenue, other income and gains is as follows:

	For the six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Interest income from provision of finance	89,612	3,313
Dividend income from investments at fair value through profit or loss	5,250	23,453
Gains/(losses) from the sale of investments at fair value through profit or loss, net (<i>note a</i>)	120,017	(44,941)
Insurance brokerage income	4,272	25,662
Commission and brokerage income from securities and futures dealings	7,461	11,192
Commission from underwriting and placing services	2,322	9,801
Interest income on margin financing activities	43,419	13,355
Commission and fees from financial guarantee services	3,475	–
Factoring interest income	7,263	–
Finance lease interest income	6,516	–
	<u>289,607</u>	<u>41,835</u>
Other income and gains		
Bank interest income	84	3
Other interest income	70	3
Investment income on available-for-sale investments	19,445	–
Foreign exchange differences, net	459	1,257
Deemed gains on changes in shareholding interests in an associate and a joint venture	–	1,845
Forfeited income (<i>note b</i>)	–	150,000
Others	2,536	801
	<u>22,594</u>	<u>153,909</u>

Note a: The gross proceeds from sale of investments at fair value through profit or loss for the period were approximately HK\$378,021,000 (six months ended 30 September 2016: HK\$619,459,000).

Note b: The recognition of forfeited income is in relation to a proposed disposal of the entire interest in a wholly-owned subsidiary of the Company (the “Proposed Disposal”). Conditions precedent to the sale and purchase agreement in relation to the Proposed Disposal became incapable of being fulfilled and the Proposed Disposal lapsed. Accordingly, the Group recognised a forfeited income of HK\$150,000,000 during the six months ended 30 September 2016.

4. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interests on borrowings	50,655	5,635
Interests on convertible bonds	35,347	–
	<u>86,002</u>	<u>5,635</u>

5. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging/(crediting):

	For the six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Employee benefit expenses (excluding directors’ remuneration):		
Salaries and allowances	15,573	5,452
Retirement benefit scheme contributions (defined contribution schemes)	469	161
	<u>16,042</u>	<u>5,613</u>
Depreciation	816	536
Loss on disposal of subsidiaries*	–	959
Provision for impairment loss for finance lease receivables	400	–
Deemed gains on changes in shareholding interests in an associate and a joint venture*	–	(1,845)
Forfeited income*	–	(150,000)
	<u>–</u>	<u>(150,000)</u>

* These gains and losses are included in “Other income and gains” and “Other expenses, net”, respectively, in the condensed consolidated statement of profit or loss.

6. INCOME TAX EXPENSE/(CREDIT)

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operates.

Pursuant to the rules and regulations of the British Virgin Islands (the “BVI”) and Cayman Islands, the Group is not subject to any income tax in the BVI and Cayman Islands respectively.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2017.

Under the law of the PRC on the Enterprise Income Tax (the “EIT Tax”) and Interpretation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current		
Charge for the period		
– Hong Kong	–	27
– the PRC	2,308	–
Deferred	306	(4,124)
Total tax expense/(credit) for the period	2,614	(4,097)

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$231,145,000 (six months ended 30 September 2016: HK\$246,210,000), and the weighted average number of ordinary shares in issue during the period calculated as follows:

	For the six months ended 30 September	
	2017	2016
	Number of shares	Number of shares
	(Unaudited)	(Unaudited)
Number of shares		
Issued ordinary shares at 1 April	14,324,137,300	14,324,137,300
Effect of warrants exercised	752,214,011	–
Weighted average number of ordinary shares at 30 September	15,076,351,311	14,324,137,300

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$234,284,000 (six months ended 30 September 2016: HK\$246,210,000) and the weighted average number of ordinary shares of 15,307,982,955 shares (six months ended 30 September 2016: 14,581,874,628 shares), calculated as follows:

(i) Profit attributable to ordinary equity holders of the Company (diluted)

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit attributable to ordinary equity holders	231,145	246,210
After tax effect of effective interest on the liability component of:		
Convertible bonds issued in June 2017 (note)	–	–
Convertible bonds issued in September 2017	3,139	–
	<hr/>	<hr/>
Profit attributable to ordinary equity holders (diluted)	234,284	246,210
	<hr/> <hr/>	<hr/> <hr/>

(ii) Weighted average number of ordinary shares (diluted)

	For the six months ended 30 September	
	2017	2016
	Number of	Number of
	shares	shares
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share at 30 September	15,076,351,311	14,324,137,300
Effect of deemed issue of shares under the Company's share option scheme	5,573,084	–
Effect of issue of warrants	147,395,751	257,737,328
Effect of conversion of:		
Convertible bonds issued in June 2017 (note)	–	–
Convertible bonds issued in September 2017	78,662,809	–
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share at 30 September	15,307,982,955	14,581,874,628
	<hr/> <hr/>	<hr/> <hr/>

Note: The calculation of diluted earnings per share for the six months ended 30 September 2017 does not assume the conversion of convertible bonds issued in June 2017 since its conversion would result an anti-dilutive effect on earnings per share.

8. INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

9. AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Non-current		
Unlisted but quoted investment fund in Hong Kong, at fair value <i>(note a)</i>	26,913	31,803
Unlisted equity investment, at cost <i>(note b)</i>	631,680	631,680
Unlisted equity investment, at fair value <i>(note c)</i>	423,815	–
	<u>1,082,408</u>	<u>663,483</u>
Current		
Unlisted wealth management products, at cost <i>(note d)</i>	<u>1,495,020</u>	–

Notes:

- (a) The fair value of investment fund is based on quoted market price in an active market at the end of the reporting period.
- (b) The unlisted equity investment represented 15% equity interest in a full-licensed securities company in China (Shanghai) Pilot Free Trade Zone under the framework of the Closer Economic Partnership Arrangement between Mainland China and Hong Kong held by the Group, and was pledged to secure the convertible bonds issued by the Company in September 2017.
- (c) The unlisted equity investment represented 10.57% equity interest in a group of companies principally engaged in integrated financial services, securities brokerage services, money lending, securities and other direct investments, held by the Group.
- (d) Balance represented wealth management products from financial institutions in the PRC not yet due nor early redeemed as at the end of the reporting period. Given that the amount of returns of such products is determinable and could be subsequently redeemed shortly after the end of the reporting period, such products were recorded at cost.

10. FINANCE LEASE RECEIVABLES

	Minimum lease payments receivable		Present value of minimum lease payments receivable	
	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Finance lease receivables comprise:				
Within one year	320,156	10,946	281,710	9,649
In more than one year but not more than five years	314,885	3,599	289,464	3,500
	<u>635,041</u>	<u>14,545</u>	<u>571,174</u>	<u>13,149</u>
Less: Unearned finance lease income	<u>(63,867)</u>	<u>(1,396)</u>	<u>–</u>	<u>–</u>
	<u>571,174</u>	<u>13,149</u>	<u>571,174</u>	<u>13,149</u>
Less: Provision for impairment loss	<u>(400)</u>	<u>–</u>	<u>(400)</u>	<u>–</u>
Present value of minimum lease payments receivable	<u><u>570,774</u></u>	<u><u>13,149</u></u>	<u><u>570,774</u></u>	<u><u>13,149</u></u>

11. NOTES RECEIVABLE

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Notes receivable	–	1,200,000
Less: balances due within one year included in current assets	<u>–</u>	<u>(800,000)</u>
Non-current portion	<u><u>–</u></u>	<u><u>400,000</u></u>

At 31 March 2017, balances represented three promissory notes in relation to the disposal of a wholly-owned subsidiary of the Company. These promissory notes were with principal amount of HK\$400,000,000 each, bore interest at 5% per annum and were repayable in June 2017, December 2017 and June 2018, respectively. These promissory notes were fully settled during the six months ended 30 September 2017.

12. ACCOUNTS RECEIVABLE

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Accounts receivable arising from the ordinary course of business of:		
– Dealing in securities:		
Margin clients	507,767	215,708
Clearing houses	2,133	5,963
Brokers	2,309	906
– Insurance brokerage business	1,586	7,541
– Futures brokerage business	–	186
– Financial guarantee business	17,910	–
	<u>531,705</u>	<u>230,304</u>

The settlement terms of accounts receivable attributable to the dealing in securities transactions are two days after the trade date except for the balances with margin clients and cash clients which are repayable on demand. The trading terms with customers of the insurance brokerage business are mainly on credit. The credit period for customers of insurance brokerage business is generally 30 days, extending up to 90 days for major customers. The settlement terms of accounts receivable attributable to dealing in futures transactions and financial guarantee business are repayable on demand and generally up to 12 months, respectively.

An aged analysis of the accounts receivable as at the end of the reporting period, based on the trade date, is as follows:

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Within 90 days	519,965	230,304
Between 91 to 180 days	4,157	–
Over 180 days	7,583	–
	<u>531,705</u>	<u>230,304</u>

13. FACTORING RECEIVABLES

An aged analysis of factoring receivables, determined based on the age of the factoring receivables since the effective drawn down date of the loans, as at the end of the reporting period is as follows:

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Factoring receivables:		
Within 90 days	120,901	110,494
Between 91 to 180 days	171,376	95,037
Between 181 days to one year	–	63,140
	<hr/> 292,277 <hr/>	<hr/> 268,671 <hr/>

14. ACCOUNTS PAYABLE

The balances as at 30 September 2017, based on the trade date, were all aged within 90 days (31 March 2017: 90 days).

15. ACQUISITION OF SUBSIDIARIES

On 13 December 2016, the Group entered into a share purchase agreement (the “SPA”) with the sellers to acquire 67.1% equity interest in Wins Finance Holdings Inc. (“Wins Finance”). The shares of Wins Finance are listed on the NASDAQ Stock Market LLC. Wins Finance and its subsidiaries (collectively referred to as the “Wins Finance Group”) are principally engaged in the provision of financial guarantee and finance leasing services in the PRC. The Group acquired Wins Finance Group to extend its financial services business in the PRC. Pursuant to the SPA, the consideration amounted to US\$260 million (subject to adjustment), and will be settled by promissory notes with different maturity dates.

The fair value of the assets acquired and liabilities assumed have been determined on a provisional basis, awaiting the finalisation of professional valuations and goodwill of approximately HK\$659.2 million was arising on acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2017 (30 September 2016: Nil).

BUSINESS REVIEW

The Group's consolidated net profit for the period was HK\$239.2 million (2016: HK\$246.2 million). The consolidated net assets of the Group increased from HK\$3,465.8 million as at 31 March 2017 to HK\$4,753.6 million as at 30 September 2017. The consolidated net profit was mainly attributable to (i) a net realised gain and a net unrealised loss of investments at fair value through profit or loss of HK\$120.0 million (2016: loss of HK\$44.9 million) and HK\$10.5 million (2016: gain of HK\$130.0 million), respectively; (ii) share of profit of an associate of HK\$92.3 million (2016: loss of HK\$10.3 million); and (iii) share of loss of a joint venture of HK\$0.2 million (2016: profit of HK\$2.6 million).

First Warrants and Second Warrants

As at 31 March 2017, the Company has 1,376,551,640 First Warrants and 688,275,820 Second Warrants outstanding. As a result of the issue of the Convertible Notes in March 2016, the First Subscription Price of the First Warrants was adjusted from HK\$0.43 per Share to HK\$0.382 per Share and the Second Subscription Price of the Second Warrants was adjusted from HK\$0.55 per Share to HK\$0.489 per Share.

In June 2017, all First Warrants were exercised by the warrant holders and 1,376,551,640 Shares were issued. The net proceeds from the issue of Shares upon exercise of First Warrants of approximately HK\$510 million have been utilised as intended for additional funding to Freeman Securities Limited (a wholly-owned subsidiary of the Company principally engaged in securities brokerage, placing, underwriting, margin financing, investment holding and trading of securities) for business expansion, and securities trading and money lending businesses.

In July 2017, all Second Warrants expired and lapsed. As at the date of this announcement, the Company's total issued shares were 15,700,688,940 Shares.

Details in relation to placing of unlisted warrants under specific mandates and the placing of convertible notes under specific mandate and the capitalised terms in the above paragraphs were set out in the Company's circulars dated 9 June 2015 and 24 February 2016, respectively.

Acquisition of Wins Finance Holdings Inc.

In December 2016, the Group entered into the Share Purchase Agreement with the Seller Parties, pursuant to which the Group conditionally agreed to purchase and the Sellers conditionally agreed to sell, 67.1% equity interest in Wins Finance Holdings Inc. (“Wins Finance”) at a consideration of the lower of (i) US\$260,000,000; or (ii) the adjusted purchase price (the “Acquisition of Wins Finance”) aiming to extend its financial services business in China. Wins Finance is an integrated financing solution provider with operations located primarily in China. Wins Finance is listed on NASDAQ. The principal business operations of Wins Finance include (i) facilitating the financing opportunities of enterprises by acting as a guarantor to secure credit facilities from lending banks and other financial institutions; (ii) providing direct equipment leasing or purchase-lease back services to enterprises, to satisfy their working capital needs; and (iii) providing financial advisory services. The Acquisition of Wins Finance was completed in August 2017. Goodwill of approximately HK\$659.2 million (determined on a provisional basis) was arising from the Acquisition of Wins Finance.

In April 2017, Wins Finance and certain of its executive officers were named as defendants in two civil securities lawsuits recently filed in two U.S. District Courts (the “First Lawsuit” and the “Second Lawsuit”, collectively referred to as the “Lawsuits”). Both Lawsuits were putative class action lawsuits where plaintiffs’ counsels were seeking to represent the entire class of shareholders who acquired Wins Finance’s securities between 29 October 2015 and 29 March 2017. Both Lawsuits asserted the same statutory violations under the U.S. Securities Exchange Act, alleging, in sum and substance, that the defendants made false and misleading statements, or failed to disclose material facts, in Wins Finance’s prospectuses, press releases, and filings with the U.S. Securities and Exchange Commission in connection with its growth, business prospects and the adequacy of its internal controls. The Lawsuits further alleged that Wins Finance’s stock price fell when the alleged misstatements or omissions became known to investors. The plaintiffs were seeking unspecified monetary damages, including interest, costs and attorneys’ fees and other relief as the court deemed just.

In July 2017, the plaintiff in the First Lawsuit filed a notice of voluntary discontinuance. In June 2017, the court issued an order appointing lead plaintiffs and lead counsel for the Second Lawsuit.

In August 2017, lead plaintiffs in the Second Lawsuit filed an amended class action complaint. The amended complaint alleged claims against Wins Finance for securities fraud purportedly arising from alleged misrepresentations concerning its principal executive offices (which alleged misrepresentations resulted in Wins Finance being added to, and then removed from, the Russell 2000 index).

In October 2017, Wins Finance moved to dismiss the amended complaint for failure to state a claim as against it. As of the date of this announcement, that motion remains pending. The Group believes that the Lawsuits are without merit and Wins Finance is vigorously defending these Lawsuits.

Details in relation to the Acquisition of Wins Finance and the capitalised terms in the above paragraphs were set out and defined in the circular dated 26 June 2017.

Issue of secured convertible bonds under general mandates

In June 2017, the Company entered into a subscription agreement with a subsidiary of China Huarong Asset Management Co., Ltd. (the “First Subscriber”, whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), stock code: 2799) in relation to the subscription of the convertible bonds of the Company under general mandate for 1,835,294,118 conversion shares at conversion price of HK\$0.425 per conversion share (the “First Subscription”). The gross proceeds from the First Subscription amounted to approximately HK\$780 million. The convertible bonds in the principal amount of US\$100 million, carried interest at 4% per annum and secured by 30% equity interest in Wins Finance held by the Group were issued by the Company to the First Subscriber in June 2017 (the “First Convertible Bonds”).

In August 2017, the Company entered into another subscription agreement with a wholly-owned subsidiary of Huarong Investment Stock Corporation Limited (the “Second Subscriber”, whose shares are listed on the main board of the Stock Exchange, stock code: 2277) in relation to the subscription of the convertible bonds of the Company under general mandate for 1,028,235,294 conversion shares at conversion price of HK\$0.425 per conversion share (the “Second Subscription”). The gross proceeds from the Second Subscription amounted to HK\$437 million. The convertible bonds in the principal amount of HK\$437 million, carried interest at 4% per annum and secured by 15% equity interest in the Securities Company (as defined below) were issued by the Company to the Second Subscriber in September 2017 (the “Second Convertible Bonds”).

As at the date of this announcement, no conversion rights attaching to the First Convertible Bonds and the Second Convertible Bonds were exercised. The net proceeds of the First Subscription and the Second Subscription of approximately HK\$779 million and HK\$436 million respectively have been utilised as intended for additional funding to Freeman Securities Limited for business expansion, money lending business and other general working capital of the Group.

Details in relation to the issue of the First Convertible Bonds and the Second Convertible Bonds in the above paragraphs were set out in the announcements of the Company dated 6 June 2017, 15 June 2017, 24 August 2017 and 12 September 2017.

Investment in an associate

As at 30 September 2017, the Group held investment in an associate of HK\$10.7 million (31 March 2017: HK\$663.5 million), representing approximately 30.44% (31 March 2017: 30.44%) shareholding interests in Freewill Holdings Limited (“Freewill”) and 0.2% (31 March 2017: 19.1%) of the Group’s net assets. Freewill is principally engaged in investment holding. During the six months ended 30 September 2017, the Group shared profit of approximately HK\$92.3 million (30 September 2016: loss of HK\$10.3 million) from Freewill. This associate distributed a dividend in specie of approximately HK\$361.0 million (30 September 2016: Nil) to the Group with details set out in the paragraphs headed “Available-for-sale investments”.

Available-for-sale investments

As at 30 September 2017, the Group recorded non-current available-for-sale investments of approximately HK\$1,082.4 million (31 March 2017: HK\$663.5 million), representing (i) unlisted but quoted investment funds in Hong Kong of approximately HK\$26.9 million (31 March 2017: HK\$31.8 million); (ii) an unlisted equity investment with 15% equity interest in Shengang Securities Company Limited (the “Securities Company”), a full-licensed securities company in China (Shanghai) Pilot Free Trade Zone of the Closer Economic Partnership Arrangement between Mainland China and Hong Kong, of approximately HK\$631.7 million (31 March 2017: HK\$631.7 million); and (iii) an unlisted equity investment with 10.57% equity interest in an entity (“Entity A”) of approximately HK\$423.8 million (31 March 2017: Nil). Entity A and its subsidiaries are principally engaged in integrated financial services, securities brokerage services, money lending, securities and other direct investments. As at 30 September 2017, the Group also recorded available-for-sale investments (classified under current assets), representing wealth managements products from financial institutions in the People’s Republic of China (the “PRC”), and were realised shortly after the end of the reporting period of HK\$1,495.0 million (31 March 2017: Nil).

In June 2017 (before the Distribution (as defined below)), the Group subscribed certain issued shares of Entity A at a consideration of HK\$123.5 million, representing approximately 1.57% equity interest in Entity A. Further in September 2017, Freewill declared distribution in specie of all its shares of Entity A (representing approximately 25.45% equity interest in Entity A) as dividend to its existing shareholders on a pro-rata basis (the “Distribution”). One existing shareholder of Freewill decided not to participate in the Distribution. Freeman Financial Services Limited, which is a wholly-owned subsidiary of the Company and one of the existing shareholders of Freewill, therefore was entitled to receive shares of Entity A representing approximately 9.00% equity interest in Entity A. This 9.00% equity interest in Entity A was reclassified from investment in an associate to available-for-sale investments. Upon completion of the Distribution, the Group held an aggregate of approximately 10.57% equity interest in Entity A and it was recorded as available-for-sale investments as at 30 September 2017.

Investments at fair value through profit or loss

As at 30 September 2017, the Group held investments at fair value through profit or loss of HK\$525.8 million (31 March 2017: HK\$362.1 million), representing approximately 11.1% (31 March 2017: 10.4%) of the Group’s net assets of HK\$4,753.6 million (31 March 2017: HK\$3,465.8 million). The Group held a diversified portfolio of listed investments throughout the period. As at 30 September 2017, the Group mainly held listed securities of China All Access (Holdings) Limited (“All Access”, whose shares are listed on the main board of the Stock Exchange, stock code: 633) with a carrying value of HK\$377.8 million, representing approximately 7.9% of Group’s net assets and approximately 7.7% of All Access’s total issued shares.

As at 31 March 2017, the Group mainly held listed securities of All Access with a carrying value of HK\$356.1 million, representing approximately 10.3% of Group’s net assets and approximately 8.1% of All Access’s total issued shares.

All Access and its subsidiaries are principally engaged in the provision of communication application solutions and services and investment activities.

Other listed investments are individually carrying at value less than 5% of the Group's net assets as at 30 September 2017 and 31 March 2017.

The Group recorded a net unrealised loss of investments at fair value through profit or loss of HK\$10.5 million (30 September 2016: gain of HK\$130.0 million) for the current period, of which included a net unrealised gain of HK\$21.7 million (30 September 2016: loss of HK\$10.4 million) for investments in listed securities of All Access.

In view of the stock market volatility and general trading sentiment, the Group realised its investments in listed securities with a carrying value of HK\$258.0 million for aggregate gross proceeds of HK\$378.0 million, resulting a net realised gain of investments at fair value through profit or loss of HK\$120.0 million for the current period. The proceeds from disposals of listed investments have been applied towards expansion of the Group's existing business lines and general working capital purposes.

For the six months ended 30 September 2016, the Group realised its investments in listed securities at market sentiment with a carrying value of HK\$664.4 million for aggregate gross proceeds of HK\$619.5 million, resulting a net realised loss of investments at fair value through profit or loss of HK\$44.9 million.

The Group considers trading of securities is one of its core businesses and the Group will continue to take attentive approach on its future investments.

FINANCIAL REVIEW

The Group resulted a gross profit for the current period of HK\$284.1 million (30 September 2016: HK\$11.7 million). It is mainly due to the net realised gain from the sales of investments at fair value through profit or loss of HK\$120.0 million (30 September 2016: loss of HK\$44.9 million). Dividend income from investments at fair value through profit or loss decreased by approximately 77.4% to HK\$5.3 million as compared to HK\$23.5 million for the same period in 2016, which was mainly due to less dividends were received by the Group from listed securities. Interest income from provision of finance significantly increased by approximately 2,615.2% to HK\$89.6 million as compared to HK\$3.3 million for the same period in 2016 as the Group diversified its loan portfolio to more new customers during the current period. Insurance brokerage income significantly decreased by approximately 83.3% to HK\$4.3 million as compared to HK\$25.7 million in the same period in 2016 as the insurance brokerage segment was still exploring market opportunities. There was no corporate finance advisory fee recorded for the both reporting periods as a result of competitive market of the industry. Income from securities and futures brokerage, placing, underwriting and margin financing service was HK\$53.2 million, representing an increase of approximately 55.1% as compared to HK\$34.3 million for the same period in 2016, as a result of more margin financing income from more new customers benefited from more corporate promotions and seminars carried out during the current period.

As a result of the acquisition of subsidiaries principally engaged in factoring, finance leasing and financial guarantee services, the Group recorded additional income of approximately HK\$17.3 million for the current period.

Other income and gains substantially decreased to HK\$22.6 million for the current period (30 September 2016: HK\$153.9 million) which was mainly due to the recognition of forfeited income of HK\$150.0 million in relation to a proposed disposal of the entire interest in a wholly-owned subsidiary of the Company in 2016. No such other income was recorded for the current period. The Group also recorded a net unrealised loss on investments at fair value through profit or loss of HK\$10.5 million for the current period (30 September 2016: gain of HK\$130.0 million). The Group shared net profits of HK\$92.1 million from an associate and a joint venture for the current period (30 September 2016: net losses of HK\$7.7 million).

Cost saving is a continuous aim in monitoring daily operations by the Group. During the current period, general and administrative expenses amounted to HK\$60.5 million, representing an increase of approximately 54.3% as compared to HK\$39.2 million for the same period in 2016 which was mainly due to an increase in total number of employees and an increase in operating lease payments of new office premises. Total employee benefit expenses amounted to approximately HK\$16.0 million (30 September 2016: HK\$5.6 million) and operating lease payments amounted to HK\$15.7 million (30 September 2016: HK\$6.4 million) were incurred for the current period. Finance costs increased to HK\$86.0 million as compared to HK\$5.6 million for the same period in 2016, as more external borrowings were obtained during the current period. Income tax expense increased to HK\$2.6 million for the current period (30 September 2016: credit of HK\$4.1 million) which was mainly due to the provision for the PRC tax for financial services business in China for the current period.

Net profit attributable to shareholders of the Company (the “Shareholders”) for the current period was HK\$231.1 million (30 September 2016: HK\$246.2 million). Basic earnings per share was HK1.53 cents (30 September 2016: HK1.72 cents) and diluted earnings per share was HK1.53 cents (30 September 2016: HK1.69 cents).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2017, net current assets of the Group amounted to HK\$5,374.2 million (31 March 2017: HK\$2,308.9 million) with cash and bank balances of HK\$284.2 million (31 March 2017: HK\$614.9 million) and the current ratio (current assets/current liabilities) was 11.0 (31 March 2017: 10.7). The Group had secured borrowings of HK\$2,131.9 million (31 March 2017: HK\$902.0 million) and unsecured borrowings of HK\$30.0 million (31 March 2017: HK\$30.0 million). Gearing ratio, calculated on the basis of the Group’s interest-bearing borrowings divided by the equity attributable to owners of the Company was 53.2% (31 March 2017: 26.9%). The borrowings of the Group carried floating interest rates calculated by reference to the Hong Kong Interbank Offered Rate or lender’s costs of funds were made in Hong Kong dollar and United States dollar. The Group’s exposure to foreign exchange rate was minimal. The Group did not have any financial instruments used for hedging purpose.

The Group had no material capital commitment as at 30 September 2017 (31 March 2017: HK\$5.3 million). In light of the amount of liquid assets on hand and banking facilities available, the Directors are of the view that the Group has sufficient financial resources to meet its ongoing operational requirements. The Group's assets portfolio is mainly financed by its shareholders' funds. As at 30 September 2017, the Group had shareholders' funds of HK\$4,067.1 million (31 March 2017: HK\$3,465.8 million). During the current period, the Company raised net proceeds from the issue of convertible bonds and new shares for approximately HK\$1,215 million and HK\$510 million respectively which have been utilised as intended for additional funding for Freeman Securities Limited for business expansion, securities trading and money lending businesses, and other working capital of the Group.

PLEDGE OF ASSETS

As at 30 September 2017, bank borrowings of HK\$200 million were secured by certain investments at fair value through profit or loss held by the Group with an aggregate carrying value of approximately HK\$362.3 million (31 March 2017: HK\$341.5 million) and guaranteed by Mr. Zhang Yongdong ("Mr. Zhang"), a substantial shareholder of the Company. Bank borrowings of approximately HK\$196.0 million were secured by bank deposits of approximately HK\$35.2 million (31 March 2017: Nil). Approximately HK\$702.0 million (equivalent to US\$90 million) of other borrowings were secured by the shares in the capital of certain wholly-owned subsidiaries of the Company and guaranteed by Mr. Zhang and his spouse. Other borrowings of approximately HK\$66.2 million were secured by certain finance lease receivables with carrying amount of approximately HK\$56.6 million (31 March 2017: Nil).

As at 30 September 2017, the First Convertible Bonds were secured by 30% equity interest of Wins Finance held by the Group and the Second Convertible Bonds were secured by 15% equity interest of the Securities Company held by the Group.

EVENTS AFTER THE REPORTING PERIOD

As announced by the Company on 1 November 2017, the proposed acquisition of the entire issued share capital of People Securities Company Limited (the "Acquisition of People Securities") has been completed on 1 November 2017. People Securities Company Limited ("People Securities") is a Hong Kong private limited company which is a licensed corporation carrying out businesses in Type 1 (dealing in securities), 4 (advising on securities) and 9 (asset management) regulated activities under the Securities and Futures Ordinance and also a member of Professional Insurance Brokers Association of Hong Kong. Following the completion, People Securities became a wholly-owned subsidiary of the Company.

Except as disclosed elsewhere in this announcement, the Group had no other significant events after the reporting period.

CONTINGENT LIABILITIES

Save as disclosed elsewhere in this announcement, the amended complaint in the Second Lawsuit did not specifically allege the damages purportedly suffered by the putative class, and the Group is not yet able to provide a reliable estimate of any such damage claim. The Group had no material contingent liabilities as at 30 September 2017 (30 September 2016: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2017, the Group employed 121 staff members (30 September 2016: 52 staff members) including directors of the Company. Staff costs incurred for the current period, including directors' remuneration, was HK\$18.7 million (30 September 2016: HK\$8.3 million).

It is the remuneration policy of the Group to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Remuneration packages, including the grant of share options, are structured to motivate individual performance and contributions to the Group. The Company has adopted a share option scheme and the Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for its employees.

PROSPECTS

The Group completed the Acquisition of Wins Finance in August 2017 to complement the existing lending business and expand the finance leasing and factoring business, and share the growth of financial leasing industry to small and medium size enterprises in China.

The Group also completed the Acquisition of People Securities in November 2017 to provide a comprehensive range of financial services and to enhance the overall competitiveness of the Group.

In the long run, the Group aims at further extending its financial services businesses to China and will continue to pursue new opportunities in the financial services industry to enhance values to the Shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2017, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company.

AUDIT COMMITTEE

The condensed consolidated financial statements of the Company for the six months ended 30 September 2017 have not been audited, but have been reviewed by the Audit Committee and the Company's external auditor, Crowe Horwath (HK) CPA Limited in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee comprises four Independent Non-executive Directors. The primary duties of the Audit Committee are, amongst other matters, to communicate with the management of the Company; and to review the accounting principles and practices, risk management and internal control systems, interim and annual results of the Group.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code on corporate governance practices. Save as disclosed below, in the opinion of the Directors, the Company has complied with the code provisions as set out in the CG Code and there have been no material deviations from the CG Code during the six months ended 30 September 2017:

Code Provision A.2.1 – The Company did not have a Chairman of the Board (the "Chairman") since the resignation of Mr. Zhang in January 2017. The Board has commenced the process of conducting an executive search for an appropriate candidate both from within the Company as well as externally to act as the new Chairman. In the meantime, Mr. Yang Haoying, the Chief Operating Officer of the Company has tentatively taken up the role of the Chairman.

Code Provision A.6.7 – One Independent Non-executive Director was unable to attend the annual general meeting held on 5 September 2017 and one Independent Non-executive Director was unable to attend the extraordinary general meeting held on 11 July 2017 as they had other engagements.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Company confirmed that in respect of the six months ended 30 September 2017, all Directors have complied with the required standard set out in the Model Code.

PUBLICATION OF FINANCIAL INFORMATION

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.freeman279.com). The Group's Interim Financial Report for 2017 will be despatched to the Shareholders and available on the above websites in due course.

By Order of the Board
Freeman FinTech Corporation Limited
Yang Haoying
Chief Operating Officer

Hong Kong, 29 November 2017

As at the date of this announcement, the Board comprises the following Directors:–

Executive Directors:

Mr. Yang Haoying (*Chief Operating Officer*)
Ms. Chow Mun Yee
Mr. Wang Xiaodong
Mr. Zhao Tong

Independent Non-executive Directors:

Mr. An Dong
Mr. Cheung Wing Ping
Mr. Fung Tze Wa
Mr. Wu Keli