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FREEMAN FINTECH CORPORATION LIMITED

(Provisional Liquidators Appointed)

民眾金融科技控股有限公司

(已委任臨時清盤人)

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 279)

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

FINAL RESULTS

The Board of Directors (the “Board”) of Freeman FinTech Corporation Limited (Provisional Liquidators appointed) (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
REVENUE	4	26,173	68,529
Cost of sales		<u>(5,968)</u>	<u>(35,262)</u>
Gross profit		20,205	33,267
Other income and gains	4	12,809	2,709
Fair value gains/(losses) on investments at fair value through profit or loss, net		99	(20,460)
General and administrative expenses		(65,939)	(117,525)
Provision for impairment loss of loans receivable, net	14	–	(266,085)
Reversal of provision/(provision) for impairment loss of accounts receivable, net	16	(650)	191

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Provision for impairment loss of factoring receivables	<i>15</i>	–	(297,529)
Impairment loss of prepayments, deposits and other receivables		–	(45,792)
Impairment loss of investments in associates	<i>12</i>	–	(341,674)
Loss on deconsolidation of subsidiaries	<i>7</i>	–	(2,092,200)
Other expenses, net		(32,406)	(40)
Finance costs	<i>6</i>	(635,905)	(695,527)
LOSS BEFORE TAX	<i>5</i>	(701,787)	(3,840,665)
Income tax credit	<i>8</i>	95	1,818
LOSS FOR THE YEAR		(701,692)	(3,838,847)
Attributable to:			
Ordinary equity holders of the Company		(701,690)	(3,838,847)
Non-controlling interests		(2)	–
		(701,692)	(3,838,847)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	<i>9</i>		
Basic and diluted		(HK\$0.38)	(HK\$2.18)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LOSS FOR THE YEAR		(701,692)	(3,838,847)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(546)	(13,725)
Reclassification of exchange difference upon deconsolidation of subsidiaries	7	–	(52,085)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Equity investments at fair value through other comprehensive income – net movement in investment revaluation reserve (non-recycling)		<u>58,646</u>	<u>(916,942)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		<u>58,100</u>	<u>(982,752)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(643,592)</u>	<u>(4,821,599)</u>
Attributable to:			
Ordinary equity holders of the Company		(643,590)	(4,821,599)
Non-controlling interests		<u>(2)</u>	<u>–</u>
		<u>(643,592)</u>	<u>(4,821,599)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		6,463	14,985
Goodwill	<i>11</i>	1,505	1,505
Intangible assets		17,145	17,145
Other financial assets	<i>13</i>	744,651	686,005
Prepayments and deposits		4,643	2,194
		<hr/>	<hr/>
Total non-current assets		774,407	721,834
		<hr/>	<hr/>
CURRENT ASSETS			
Loans receivable	<i>14</i>	–	143,040
Prepayments, deposits and other receivables		64,405	80,028
Accounts receivable	<i>16</i>	178,710	22,005
Investments at fair value through profit or loss		1,742	3,071
Cash and bank balances		399,039	149,605
		<hr/>	<hr/>
Total current assets		643,896	397,749
		<hr/>	<hr/>
CURRENT LIABILITIES			
Accounts payable	<i>17</i>	40,210	14,437
Other payables and accruals	<i>18</i>	1,303,833	664,852
Borrowings	<i>19</i>	3,010,708	2,725,687
Lease liabilities		2,492	12,232
Tax payable		602	–
		<hr/>	<hr/>
Total current liabilities		4,357,845	3,417,208
		<hr/>	<hr/>
Net current liabilities		(3,713,949)	(3,019,459)
		<hr/>	<hr/>
Total assets less current liabilities		(2,939,542)	(2,297,625)
		<hr/>	<hr/>

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Borrowings	<i>19</i>	30,000	30,000
Lease liabilities		2,720	1,045
Deferred tax liability		2,561	2,561
		<hr/>	<hr/>
Total non-current liabilities		35,281	33,606
		<hr/>	<hr/>
Net liabilities		(2,974,823)	(2,331,231)
		<hr/> <hr/>	<hr/> <hr/>
DEFICIENCY IN ASSETS			
Deficit attributable to ordinary equity holders of the Company			
Issued capital		18,682	18,682
Reserves		(2,993,503)	(2,349,913)
		<hr/>	<hr/>
Non-controlling interests		(2)	–
		<hr/>	<hr/>
Net deficiency in assets		(2,974,823)	(2,331,231)
		<hr/> <hr/>	<hr/> <hr/>

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for other financial assets and investments at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except where otherwise indicated.

Appointment of the Provisional Liquidators, suspension of trading in shares of the Company and going concern basis

On 12 March 2019 and 10 April 2019, the Company received demand letters from lenders for immediate repayment of outstanding principal amounts of approximately HK\$783,747,000 and HK\$429,197,000 respectively. On 26 April 2019, the Company received a notice of event of default from another lender intended to reserve its right to demand immediate repayment for borrowings with an outstanding principal amount of approximately HK\$776,514,000 at 31 March 2019. On 10 May 2019, the Company received a notice of petition from one of the above lenders (the “Petition”) issued under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) from the High Court of the Hong Kong Special Administrative Region (the “High Court”) that the Company be wound up by the High Court on the ground that the Company was insolvent and unable to pay its debts. In addition, on 10 June 2019, the Company received a notice of event of default and demand for repayment from another lender for the immediate repayment of outstanding principal, together with accrued interest due totaling to approximately HK\$718,436,000.

On 28 February 2020, the High Court ordered that Messrs. Lai Kar Yan (Derek) and Ho Kwok Leung Glen of Deloitte Touche Tohmatsu be appointed as provisional liquidators of the Company (the “Provisional Liquidators”) with power to act jointly and severally until the determination of the Petition or further order of the High Court. At the request of the Company, trading in the Company’s shares on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has been suspended with effect from 1:12 p.m. on 28 February 2020. Trading in the shares of the Company will remain suspended until further notice.

On 26 March 2020, upon application made by the Provisional Liquidators, the High Court granted an order to extend the Provisional Liquidators’ power such that the Provisional Liquidators are empowered, *inter alia*, to consider and, if thought to be in the best interests of creditors of the Company, to enter into discussions and/or negotiations for and on behalf of the Company, for the purpose of, but not limited to, restructuring of the Company’s business and operations, and/or restructuring or rescheduling the Company’s indebtedness, or for the sale of its assets, provided that any such proposed restructuring, rescheduling or sale shall not be binding on the Company unless and until approved by the High Court.

On 4 November 2020, upon application made by the Provisional Liquidators, the Grand Court of the Cayman Islands (the “Grand Court”) issued an order, which, among other things, recognised the appointment of Messrs. Lai Kar Yan (Derek) and Ho Kwok Leung Glen of Deloitte Touche Tohmatsu as joint and several provisional liquidators of the Company pursuant to orders of the High Court of the Hong Kong Special Administrative Region dated 28 February 2020 and subsequently amended on 26 March 2020 and the Provisional Liquidators presenting and prosecuting a petition in the Grand Court in respect of the creditors’ scheme of arrangement pursuant to section 86 of the Companies Law (2020 Revision) in furtherance of the proposed rescue and restructuring of the Company and its debts.

On 1 April 2021, the Provisional Liquidators and the Petitioner jointly applied to the High Court requesting to vacate the next adjourned hearing of the Petition to be held on 19 April 2021 and to adjourn it to a date to be fixed no earlier than August 2021. On 7 April 2021, the High Court approved the next adjourned hearing of the Petition will be held on a date to be fixed no earlier than August 2021.

Since their appointment, the Provisional Liquidators have taken all necessary actions to preserve the assets and have been managing the affairs of the Group.

As at 31 March 2021, the Group had net current liabilities and net liabilities of approximately HK\$3,713,949,000 and HK\$2,974,823,000 respectively (2020: HK\$3,019,459,000 and HK\$2,331,231,000, respectively). During the year ended 31 March 2021, the Group incurred a loss attributable to ordinary equity holders of the Company of approximately HK\$701,690,000 (2020: HK\$3,838,847,000). These conditions indicate the existence of material uncertainties which may cast significant doubt about the ability of the Group to continue as a going concern.

The directors of the Company have been taking measures to improve the liquidity and solvency position of the Group. These measures include (i) identified the Investor (as defined below) for putting forward a debt restructuring of the Company and provision of loans to the Company, details of which are set out below at the paragraphs headed under “Proposed restructuring of the Group”; (ii) put forward a debt restructuring plan to the creditors of the Company by way of Scheme of Arrangement; (iii) speeding up the collection of receivables process; and (iv) tightening operating cash outflows through cutting costs and capital expenditures.

As at the date of approval of these consolidated financial statements, the implementations of these measures are still in progress. The Company continue to seek new business opportunities to improve its profitability and business prospects, consolidate or streamline its existing business, enhance its future business development and strengthen its revenue base, and may diversify into other businesses should suitable opportunities arise.

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the measures taken by the directors of the Company. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and, therefore, do not include any adjustments relating to the realisation and classification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

As disclosed in the Company's circular dated 26 May 2021 (the "Circular"), both the Stock Exchange and the Securities and Futures Commission of Hong Kong (the "SFC") have uplifted certain restrictions previously imposed on the business operations of the subsidiaries of the Company. It is expected that the major restrictions will be removed in June/July 2021 pursuant to the latest development of the proposed Restructuring. The Board is of the view that, upon uplifting the major restrictions in June/July 2021 and coupled with the support from the Investor, the proposed Restructuring will have positive impact on the brand, public awareness and visibility of the Group.

Listing status of the Company

On 19 March 2020, the Company received a letter from the Stock Exchange, in which, *inter alia*, the Stock Exchange set out the following resumption guidance for the Company (the "Resumption Guidance"):

1. demonstrate the Company's compliance with Rule 13.24 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules");
2. have the winding-up petition(s) withdrawn or dismissed and the joint and several provisional liquidators discharged; and
3. inform the market of all material information for the Company's shareholders and other investors to appraise the Group's position.

On 30 June 2020, the Company received another letter from the Stock Exchange, in which the Stock Exchange set out the following additional Resumption Guidance for the Company:

4. publish all outstanding financial results and address any audit modification(s).

Under Rule 6.01A(1) of the Listing Rules, it may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 27 August 2021 (the “Deadline”). The Stock Exchange advised that if the Company fails to remedy the issues causing its trading suspension, fulfil the resumption guidance and fully comply with the Listing Rules to the Stock Exchange’s satisfaction, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company’s listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

The Company will take appropriate steps to fully comply with the Listing Rules to the Stock Exchange’s satisfaction in order to have trading in the Company’s shares resumed. The Company will keep the public informed of developments in this regard by making further announcements as and when appropriate.

Proposed restructuring of the Group

References are made to the Company’s announcements dated 13 August 2020, 27 August 2020, 17 November 2020, 23 November 2020, 27 November 2020, 30 December 2020, 22 January 2021, 5 February 2021, 26 February 2021, 27 May 2021, 17 June 2021 and the Circular dated 26 May 2021 in relation to the restructuring of the Company. Unless otherwise specified, capitalised terms used herein shall have the same meanings as in these announcements and the Circular.

On 13 August 2020, the Company, the Provisional Liquidators and the Investor entered into the Term Sheet, setting out the key commercial terms of the proposed Restructuring of the Company.

On 2 September 2020, the Provisional Liquidators obtained the sanction from the High Court for entering into, among others, the Term Sheet and all requisite agreements arising therefrom in order to implement the proposed Restructuring.

On 10 September 2020, the Company, the Provisional Liquidators and the Investor entered into the Restructuring Deed, pursuant to which the Company, the Provisional Liquidators and the Investor agreed on the principal terms of the Restructuring which shall include, among others, (a) the provision of the First Loan and the Second Loan by the Investor; (b) the Subscription; (c) the Share Premium Cancellation; (d) the Resumption; (e) if the Resumption is not approved by the Stock Exchange, the Acquisition; and (f) the Schemes.

On 21 October 2020, SFC has approved the Investor to become a substantial shareholder of the Licensed Corporations.

On 17 November 2020 and 18 December 2020, the Company, the Provisional Liquidators and the Investor entered into the first supplemental deed and the second supplemental deed respectively, pursuant to which the parties agreed to further amend the terms of the Restructuring Deed and/or the First Loan Agreement.

On 24 December 2020, upon application of the Provisional Liquidators, the High Court and the Grand Court have approved the convening of the Scheme Meetings.

On 22 January 2021, the resolution to approve the Scheme was duly passed at the Scheme Meetings.

On 2 February 2021 (Hong Kong time) and 3 February 2021 (Cayman Islands time), the High Court has sanctioned without modification the Hong Kong ListCo Scheme under Hong Kong law and the Grand Court has sanctioned without modification the Cayman Islands ListCo Scheme under the Laws of Cayman Islands, respectively.

On 10 March 2021, the Company submitted the Resumption Proposal to the Stock Exchange. On 4 May 2021 and 17 June 2021, the Company submitted to the Stock Exchange the latest revised Resumption Proposal (the “Revised Resumption Proposal”) addressing comments from the Stock Exchange. As at the date of this annual results announcement, the Company is in the course of addressing comments from the Stock Exchange on the Revised Resumption Proposal.

On 26 May 2021, the Company despatched the Circular to the Shareholders, containing, among others, details of (i) the Restructuring Deed; (ii) the Specific Mandate; (iii) the Whitewash Waiver; (iv) the Special Deals; (v) the letter from the independent financial adviser to the Independent Shareholders; and (vi) a notice of the EGM.

On 17 June 2021, all the resolutions contemplated under the Restructuring Deed were duly passed by the Shareholders or the Independent Shareholders (as the case may be) by way of poll at the EGM of the Company.

1. The provision of the First Loan and the Second Loan by the Investor

The First Loan Agreement

On 10 September 2020, the Company (as borrower), the Provisional Liquidators and the Investor (as lender) entered into the First Loan Agreement, pursuant to which the Investor shall make available to the Company (a) HK\$161,174,982, being an amount equivalent to the LC Agreed Consideration; and (b) the Top-up Loan Amount (if any).

In the event that the Resumption is approved by the Stock Exchange (whether conditionally or unconditionally), the Investor shall convert the First Loan (including the Initial Deposit and the Top-up Loan Amount (if any)) into the First Loan Conversion Shares which, together with the Subscription Shares, shall represent 80% of the enlarged issued share capital of the Company upon completion of the First Loan Conversion, the Subscription and the issue of the Scheme Shares. The First Loan Conversion Shares shall be issued and allotted to the Investor simultaneously with the Subscription Shares. Upon completion of the First Loan Conversion, all outstanding liabilities of the Company under the First Loan Agreement shall be deemed fully paid and settled and no longer outstanding.

The Second Loan Agreement

On 10 September 2020, the Company (as borrower), the Provisional Liquidators and the Investor (as lender) entered into the Second Loan Agreement, pursuant to which the Investor shall make available to the Company interest-free and unsecured loans of up to HK\$40 million in aggregate.

If the Resumption is approved by the Stock Exchange (whether conditionally or unconditionally), the Investor may, within the Conversion Period, convert the Second Loan into the Second Loan Conversion Shares which, together with the First Loan Conversion Shares and the Subscription Shares, shall represent approximately 75% of the enlarged issued share capital of the Company upon completion of the First Loan Conversion, the Subscription, the issue of the Scheme Shares, the Placing Down and the Second Loan Conversion. Upon completion of the Second Loan Conversion, all outstanding liabilities of the Company under the Second Loan Agreement shall be deemed fully paid and settled and no longer outstanding.

In the event that the Resumption is not approved by the Stock Exchange by the Long Stop Date, the Second Loan (less the Second Loan Expended Portion) shall be due and payable to the Investor by the Company on demand within fourteen (14) Business Days, the Investor shall be entitled to exercise all its rights as an unsecured creditor against the Company in relation to the Second Loan and the Second Loan Expended Portion shall cease to be repayable to the Investor. In the event that the Investor does not convert the Second Loan within the Conversion Period, the Second Loan shall be due and payable to the Investor by the Company on demand after the lapse of the Conversion Period and the Investor shall be entitled to exercise all its rights as an unsecured creditor against the Company in relation to the Second Loan.

2. The Subscription

In the event that the Resumption is approved by the Stock Exchange (whether conditionally or unconditionally), the Investor shall inject into the Company the New Subscription Proceeds of HK\$80 million by subscribing the Subscription Shares which, together with the First Loan Conversion Shares, shall represent 80% of the enlarged issued share capital of the Company upon completion of the Subscription, the First Loan Conversion and the issue of the Scheme Shares. The New Subscription Proceeds, together with any accrued interest, shall be applied as the Scheme Cash Consideration under the ListCo Schemes.

3. The Share Premium Cancellation

The Share Premium Cancellation shall involve the cancellation of the entire amount standing to the credit of the share premium account of the Company of approximately HK\$2.78 billion. The credit arising from the Share Premium Cancellation shall be applied towards offsetting the accumulated deficit of the Company as at the effective date of the Share Premium Cancellation.

During the year ended 31 March 2021, the Share Premium Cancellation has been completed.

4. The Resumption

To facilitate the Resumption, each of the Company, the Provisional Liquidators and the Investor undertakes and agrees to use its best endeavours to procure the compliance with the Resumption Guidance as soon as reasonably practicable in accordance with the terms of the Restructuring Deed.

5. The Acquisition (if the Resumption is not approved by the Stock Exchange)

In the event that the Resumption is not approved by the Stock Exchange by the Long Stop Date, the Company shall, for the purpose of discharging and setting off its obligations to repay all the outstanding liabilities under the First Loan Agreement, procure the transfer of all shareholding interests in the Retained Subsidiaries by their respective immediate holding companies to the Investor or its nominee which shall take place in accordance with the terms of the Acquisition SPA at the consideration of HK\$1.00. Upon completion of the Acquisition, the obligation of the Company to repay the Investor all outstanding liabilities under the First Loan Agreement shall be deemed fully discharged.

On 24 September 2020, the Acquisition SPA has been entered into with the Investor in respect of the transfer of all shareholding interests in the Retained Subsidiaries which shall take effect upon (i) the Investor having provided the First Loan to the Company in accordance with the terms of the First Loan Agreement; and (ii) the Resumption Proposal not having been approved by the Stock Exchange by the Long Stop Date.

In the event that the Resumption is approved by the Stock Exchange (whether conditionally or unconditionally), then the Retained Subsidiaries will remain in the Retained Group as subsidiaries of the Company immediately after the First Loan Conversion and the Subscription.

6. The Schemes

Pursuant to the Restructuring Deed, the debt restructuring of the Group shall be implemented by way of the Schemes.

The principal terms of the ListCo Schemes are as follows:

- (a) all claims of the ListCo Creditors against the Company as at the ListCo Schemes Effective Date will be fully and finally discharged by virtue of the implementation of the ListCo Schemes;
- (b) the Group will undergo the Group Reorganisation, pursuant to which the entire interests of the Excluded Subsidiaries will be transferred to the ListCo Schemes SchemeCo at a nominal value;
- (c) after the ListCo Schemes Effective Date and if and only if the completion of the Subscription having taken place, the New Subscription Proceeds will be injected to the ListCo Schemes as the Scheme Cash Consideration;

- (d) the Scheme Shares, representing approximately 10% of the enlarged issued share capital of the ListCo upon Completion, shall be allotted and issued by the Company to the Scheme Administrators or the ListCo Schemes SchemeCo simultaneously with the allotment and issue of the First Loan Conversion Shares and the Subscription Shares, for the benefit of the ListCo Schemes Creditors; and
- (e) any realisation from the assets of the ListCo Schemes, which shall comprise, among others, (i) the Scheme Shares; (ii) shares in and assets of the Excluded Subsidiaries; and (iii) the Scheme Cash Consideration, shall be applied for distribution to the ListCo Schemes Creditors with ListCo Admitted Claims; and payment of the costs and expenses for the implementation of the ListCo Schemes.

Deconsolidation of subsidiaries

The consolidated financial statements have been prepared based on the books and records maintained by the Group. However, due to the resignation of certain senior management personnel of the Company and non-cooperation of the management of certain subsidiaries (the “Deconsolidated Subsidiaries”), the directors of the Company had been unable to obtain and gain access to the books and records and assets of the Deconsolidated Subsidiaries and resolved that the Group no longer had the controlling power to govern the financial and operating policies of the Deconsolidated Subsidiaries so as to benefit from their activities, and accordingly the control over the Deconsolidated Subsidiaries was deemed to have lost since 1 April 2019. The Deconsolidated Subsidiaries had therefore been deconsolidated from the consolidated financial statements of the Group from 1 April 2019 onwards on the basis of loss of control. The assets and liabilities of the following subsidiaries were therefore deconsolidated from the consolidated financial statements of the Group since 1 April 2019.

- i. Wins Finance Holdings Inc. (“Wins Finance”)
- ii. Wins Finance Group Limited
- iii. Full Shine Capital Resources Limited
- iv. Jinshang International Financial Leasing Co., Ltd.* 晉商國際融資租賃有限公司
- v. Shanxi Jinchen Agriculture Co., Ltd.* 山西晉辰農業有限公司
- vi. Shanxi Dongsheng Financial Guarantee Co., Ltd.* 山西棟盛融資擔保有限公司

* These entities are registered in Chinese names only as wholly-foreign-owned enterprises under the People’s Republic of China (the “PRC”) laws and their English names disclosed above are for identification only.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied the following standards and amendments which are first effective for their annual reporting period commencing 1 April 2020.

HKFRS 3 (Amendments)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform

The application of the above new and amended HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. 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) securities and futures brokerage, placing, underwriting and margin financing segment engages in the provision of securities and futures brokerage placing, underwriting and margin financing services;
- (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 the provision of financial planning and related services;
- (d) trading of securities and futures segment engages in the purchase and sale of securities and futures investments;
- (e) investment management segment engages in the provision of asset management and advisory and related services;
- (f) factoring segment engages in the provision of factoring and related activities;

- (g) investment holding segment engages in holding investments for continuing strategic or long-term purposes, primarily for dividend income and capital appreciation; and
- (h) corporate finance advisory segment engages in the provision of corporate finance advisory services and related activities.

During the year ended 31 March 2021, the Company commenced to develop the business in the provision of asset management and advisory services. Hence, a new business segment of “investment management” has been presented.

Upon certain major operating subsidiaries being deconsolidated from the consolidated financial statements of the Group since 1 April 2019, the directors of the Company considered that the operations of the financial guarantee and finance leasing services were suspended. The segment information reported below does not include any amount for the Deconsolidated Subsidiaries, which are described in more detail in note 7. Accordingly, the name of the business segment has been updated from “factoring, financial guarantee and finance leasing” to “factoring”.

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 loss before tax. The adjusted loss before tax is measured consistently with the Group’s loss before tax except that bank and other interest income (excluding interest income from the provision of finance, margin financing, factoring 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 independent 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 years ended 31 March 2021 and 2020 for the purposes of resources allocation and performance assessment.

Year ended 31 March 2021/As at 31 March 2021

	Securities and futures brokerage, placing, underwriting and margin financing HK\$'000	Provision of finance HK\$'000	Insurance brokerage business HK\$'000	Trading of securities and futures HK\$'000	Investment management HK\$'000	Factoring HK\$'000	Investment holding HK\$'000	Corporate finance advisory HK\$'000	Total HK\$'000
Segment revenue:									
Sales to external customers	12,633	-	2,390	11,124	26	-	-	-	26,173
Intersegment sales	-	-	-	-	-	-	-	-	-
	12,633	-	2,390	11,124	26	-	-	-	26,173
<i>Reconciliation:</i>									
Elimination of intersegment sales									-
Total revenue									<u>26,173</u>
Segment results:	(28,032)	(1,851)	(3,546)	10,974	26	(812)	(20,475)	(189)	(43,905)
<i>Reconciliation:</i>									
Bank interest income									282
Other interest income									55
Corporate and other unallocated expenses									(22,314)
Finance costs									<u>(635,905)</u>
Loss before tax									<u>(701,787)</u>
Other segment information:									
Provision for impairment loss of accounts receivable, net	(650)	-	-	-	-	-	-	-	(650)
Depreciation									
- operating segment	(2,491)	-	-	-	-	(146)	-	-	(2,637)
- unallocated									<u>(2,406)</u>
									<u>(5,043)</u>
Other financial assets	721,795	-	-	-	-	22,856	-	-	744,651
Capital expenditure									
- operating segment	8,348	-	-	-	-	71	-	-	<u>8,419*</u>

* These amounts represented additions to property, plant and equipment.

Year ended 31 March 2020/As at 31 March 2020

	Securities and futures brokerage, placing, underwriting and margin financing HK\$'000	Provision of finance HK\$'000	Insurance brokerage business HK\$'000	Trading of securities and futures HK\$'000	Factoring HK\$'000	Investment holding HK\$'000	Corporate finance advisory HK\$'000	Total HK\$'000
Segment revenue:								
Sales to external customers	48,567	12,570	7,440	(48)	-	-	-	68,529
Intersegment sales	-	-	16	-	-	-	-	16
	48,567	12,570	7,456	(48)	-	-	-	68,545
<i>Reconciliation:</i>								
Elimination of intersegment sales								(16)
Total revenue								<u>68,529</u>
Segment results:	(10,252)	(255,991)	413	(20,546)	(366,259)	(2,429,440)	(92)	(3,082,167)
<i>Reconciliation:</i>								
Bank interest income								882
Other interest income								113
Corporate and other unallocated expenses								(63,966)
Finance costs								<u>(695,527)</u>
Loss before tax								<u><u>(3,840,665)</u></u>
Other segment information:								
Provision for impairment loss of loans receivable, net	-	(266,085)	-	-	-	-	-	(266,085)
Reversal of provision/(provision) for impairment loss of accounts receivable, net	73	-	(1)	-	119	-	-	191
Provision for impairment loss of factoring receivables	-	-	-	-	(297,529)	-	-	(297,529)
Impairment loss of prepayments, deposits and other receivables	-	-	-	-	-	(45,792)	-	(45,792)
Impairment loss of investments in associates	-	-	-	-	-	(341,674)	-	(341,674)
Loss on deconsolidation of subsidiaries	-	-	-	-	-	(2,092,200)	-	(2,092,200)
Depreciation								
- operating segment	(372)	-	(5)	-	(134)	-	-	(511)
- unallocated								<u>(12,743)</u>
								<u><u>(13,254)</u></u>
Other financial assets	660,301	-	-	-	-	25,704	-	686,005
Capital expenditure								
- operating segment	-	-	-	-	3	-	-	<u>3*</u>

* These amounts represented additions to property, plant and equipment.

Geographical information

(a) Revenue from external customers

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	26,173	68,529
The PRC	—	—
	<hr/>	<hr/>
Total	26,173	68,529
	<hr/> <hr/>	<hr/> <hr/>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	29,692	35,371
The PRC	64	458
	<hr/>	<hr/>
Total	29,756	35,829
	<hr/> <hr/>	<hr/> <hr/>

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

Information about major customers

Included in revenue arising from major customers which individually accounted for over 10% of the Group's revenue for the year:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Provision of finance		
Customer A	N/A*	12,570
Provision for futures brokerage services		
Customer B	N/A*	10,354
Customer C	3,020	N/A*
	<hr/> <hr/>	<hr/> <hr/>

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

The Group's dividend income and gains/(losses) from the sale of investments at fair value through profit or loss are excluded from total revenue for the purpose of identifying major customers of the Group who accounted for over 10% of the Group's revenue.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents commission and brokerage income from securities and futures dealings; commission from placing and underwriting services; interest income on margin financing activities; insurance brokerage income; interest income earned from the provision of finance; net gains/(losses) from the sale of investments at fair value through profit or loss; investment management fee income; and dividend income from investments at fair value through profit or loss for the year.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue		
Commission and brokerage income from securities and futures dealings	8,012	44,615
Commission from placing and underwriting services	415	1,126
Interest income on margin financing activities	4,206	2,826
Insurance brokerage income	2,390	7,440
Interest income from provision of finance	–	12,570
Gains/(losses) from the sale of investments at fair value through profit or loss, net (<i>note a</i>)	11,120	(48)
Investment management fee income	26	–
Dividend income from investments at fair value through profit or loss	4	–
	<u>26,173</u>	<u>68,529</u>
Other income and gains		
Bank interest income	282	882
Other interest income	55	113
Government grants (<i>note b</i>)	4,476	–
Dividend handling charge and other surcharges	2,260	237
Foreign exchange differences, net	1,976	657
Gain on termination of a lease contract	1,234	–
Others	2,526	820
	<u>12,809</u>	<u>2,709</u>

Notes:

- (a) The gross proceeds from the sale of investments at fair value through profit or loss for the year were approximately HK\$15,230,000 (2020: HK\$15,000).
- (b) There are no unfulfilled conditions or contingencies relating to these grants.

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Employee benefit expenses (excluding directors' remuneration):			
Salaries and allowances		30,487	41,571
Retirement benefit scheme contributions (defined contribution scheme) (<i>note a</i>)		802	1,040
		31,289	42,611
Auditor's remuneration		1,216	1,836
Depreciation		5,043	13,254
Provision/(reversal of provision) for impairment loss of accounts receivable, net	<i>16</i>	650	(191)
Loss on disposal of items of property, plant and equipment, net (<i>note b</i>)		1,182	40
Loss recognised on termination of a lease of office premise (<i>note b</i>)		14,763	–
Restructuring cost (<i>note b</i>)		16,461	–
Loss on deconsolidation of subsidiaries	<i>7</i>	–	2,092,200
Provision for impairment loss of loans receivable, net	<i>14</i>	–	266,085
Provision for impairment loss of factoring receivables	<i>15</i>	–	297,529
Impairment loss of investments in associates	<i>12</i>	–	341,674
Impairment loss of prepayments, deposits and other receivables		–	45,792
		–	–

Notes:

- (a) At 31 March 2021, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit scheme in future years (2020: Nil).
- (b) These items are included in "Other expenses, net" for the years ended 31 March 2021 and 2020 in the consolidated statement of profit or loss.

6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interests on borrowings	633,164	551,040
Interests on convertible instruments	–	129,439
Interests on lease liabilities	801	3,111
Other finance costs	1,940	11,937
	<u>635,905</u>	<u>695,527</u>

7. DECONSOLIDATION OF SUBSIDIARIES

The directors of the Company considered that the control over certain subsidiaries had been lost since 1 April 2019. The assets and liabilities of these subsidiaries were deconsolidated from the consolidated financial statements of the Group since 1 April 2019.

Net assets of these subsidiaries as at the date of loss of control were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	951
Goodwill	659,169
Investment in an associate	23,387
Other financial assets	1,148,314
Finance lease receivables	863,326
Prepayments, deposits and other receivables	84,090
Accounts receivable	22,865
Restricted bank deposits	157,312
Cash and bank balances	25,400
Other payables and accruals	(108,126)
Borrowings	(30,313)
Tax payable	(23,073)
Deferred tax liability	(839)
	<u>2,822,463</u>
Net assets deconsolidated	2,822,463
Less: Release of exchange fluctuation reserve	(52,085)
Release of statutory reserve	(8,597)
Non-controlling interests	(669,581)
	<u>2,092,200</u>
Loss on deconsolidation of subsidiaries	<u>2,092,200</u>

8. INCOME TAX CREDIT

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current		
Charge/(credit) for the year		
– Hong Kong	–	(2,637)
– the PRC	(95)	40
Under provision in prior years	–	821
Deferred	–	(42)
Total tax credit for the year	<u>(95)</u>	<u>(1,818)</u>

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$701,690,000 (2020: HK\$3,838,847,000), and the weighted average number of ordinary shares of 1,868,176,188 (2020: 1,764,897,500) in issue during the year.

The calculation of weighted average number of ordinary shares at the end of the reporting period is as follows:

	2021	2020
Number of shares		
Issued ordinary shares at beginning of year	1,868,176,188	1,568,176,188
Effect of issue of new shares	–	196,721,312
Weighted average number of ordinary shares at end of year	<u>1,868,176,188</u>	<u>1,764,897,500</u>

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$701,690,000 (2020: HK\$3,838,847,000), and the weighted average number of ordinary shares of 1,868,176,188 (2020: 1,764,897,500).

No adjustment has been made to the basic loss per share amount presented for the years ended 31 March 2021 and 2020 in respect of a dilution as the calculation of diluted loss per share for the year ended 31 March 2020 does not assume the exercise of the Company's outstanding share options as it had no dilutive effect on the basic loss per share. The Company had no dilutive potential ordinary shares in issue during the year ended 31 March 2021.

10. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the year ended 31 March 2021 (2020: Nil).

11. GOODWILL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Carrying amount		
At beginning of year	1,505	660,674
Deconsolidation of subsidiaries (<i>note 7</i>)	–	(659,169)
	<hr/>	<hr/>
At end of year	1,505	1,505
	<hr/> <hr/>	<hr/> <hr/>

Goodwill allocated for impairment testing purposes to the cash generating unit (“CGU”) of insurance and securities brokerage business in Hong Kong of HK\$1,505,000 as at 31 March 2021 and 2020.

Goodwill allocated to the CGU of financial guarantee and finance leasing business in the PRC with carrying amount of HK\$659,169,000 were deconsolidated since 1 April 2019 as disclosed in notes 1 and 7.

12. INVESTMENTS IN ASSOCIATES

There is no sufficient financial information of all the associates for the years ended 31 March 2021 and 2020 available to the Group because the management of the associates refused to provide such required financial information to the Group. Based on the assessment of the directors of the Company, the Group had fully impaired its investments in associates of approximately HK\$341,674,000 during the year ended 31 March 2020 and no information of the assets, liabilities, non-controlling interests, revenue, profit/loss for the year and other comprehensive income of the associates as of, and for the years ended 31 March 2021 and 2020 is presented. One of associates with carrying value of HK\$23,387,000 was being deconsolidated (*note 7*) during the year ended 31 March 2020.

The Company accounted for their investments in associates using the equity method for the reporting periods.

13. OTHER FINANCIAL ASSETS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current:		
Investments at fair value through other comprehensive income (non-recycling)		
– Unlisted equity investment in the PRC (<i>note a</i>)	721,795	660,301
– Listed equity investment in the Philippines (<i>note b</i>)	<u>22,856</u>	<u>25,704</u>
	<u><u>744,651</u></u>	<u><u>686,005</u></u>

Notes:

- (a) Balance represented 12.17% 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.
- (b) The listed equity investment in the Philippines was stated at fair value based on quoted market price in active markets as at the end of each of the reporting periods.
- (c) The Group had 15.20% (2020: 19.06%) equity interest in an investment holding company (“Entity A”) which was acquired in April 2018. Due to the non-cooperation of the management of Entity A, the directors of the Company had been unable to obtain and access to the books and records and no sufficient financial information of Entity A as at and for the years ended 31 March 2021 and 2020 is available to the directors of Company. As such, the fair values of financial asset at fair value through other comprehensive income (non-recycling) of Entity A as at the end of the reporting periods (“FVOCI in Entity A”) were estimated by the directors of the Company using the net assets value approach based on Entity A’s unaudited management accounts as at 31 March 2020 and adjusted for the factors they considered might affect its fair value. The directors of the Company considered that the basis applied in the fair value assessment of the FVOCI in Entity A including the recognition of fair value loss of HK\$841,762,000 during the year ended 31 March 2020 represented their best estimate. There were no carrying amount of Entity A as at 31 March 2021 and 2020.
- (d) The Group’s investment in wealth management products from financial institutions in the PRC were deconsolidated since 1 April 2019 as set out in note 7.

14. LOANS RECEIVABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loans receivable	1,791,936	2,104,185
Less: Provision for impairment loss	<u>(1,791,936)</u>	<u>(1,961,145)</u>
	<u><u>-</u></u>	<u><u>143,040</u></u>

As at 31 March 2020, loans receivable represented receivables arising from the provision of finance business of the Group, and bear interest at 8.5% per annum.

All the loans receivable as at 31 March 2021 and 2020 were unsecured.

Loans receivable, determined based on their age since the effective draw down date of the loans, were all aged over one year, as at 31 March 2021 and 2020.

The movements in the provision for impairment loss of loans receivable are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At beginning of year	1,961,145	1,695,060
Net remeasurement of expected credit loss (“ECL”) arising from transfer between stages	-	158,745
Other remeasurement of loss allowance	-	107,340
Write-off of provision for impairment loss	<u>(169,209)</u>	<u>-</u>
At end of year	<u><u>1,791,936</u></u>	<u><u>1,961,145</u></u>

15. FACTORING RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Factoring receivables	312,659	299,079
Less: Provision for impairment loss	<u>(312,659)</u>	<u>(299,079)</u>
	<u><u>-</u></u>	<u><u>-</u></u>

Factoring receivables, determined based on their age since the effective draw down date of the loans, were all aged over one year, as at 31 March 2021 and 2020.

The movements in the provision for impairment loss of factoring receivables are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At beginning of year	299,079	1,550
Net remeasurement of ECL arising from transfer between stages	-	297,529
Exchange difference	<u>13,580</u>	<u>-</u>
At end of year	<u><u>312,659</u></u>	<u><u>299,079</u></u>

16. ACCOUNTS RECEIVABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accounts receivable arising from the ordinary course of business of:		
– Dealing in securities:		
Margin clients	295,992	173,821
Clearing houses	31,315	5,743
– Insurance brokerage business	145	223
– Futures brokerage business	9,690	–
	<u>337,142</u>	<u>179,787</u>
Less: Provision for impairment loss	<u>(158,432)</u>	<u>(157,782)</u>
	<u><u>178,710</u></u>	<u><u>22,005</u></u>

The directors of the Company deconsolidated the accounts receivable of the Deconsolidated Subsidiaries from the consolidated financial statements of the Group since 1 April 2019.

The settlement terms of accounts receivable attributable to the dealing in securities transactions are two trading days after the trade date except for the balances with margin clients which are repayable on demand or according to agreed repayment schedules, and bearing interest ranging from 2.38% to 15.07% per annum as at 31 March 2021 (2020: 7% to 13.5% per annum). The trading terms with customers of the insurance brokerage business are mainly on credit. The credit period for customers of the insurance brokerage business is generally 30 days, extended up to 90 days for major customers. The settlement terms of accounts receivable attributable to dealing in futures transactions are repayable on demand and generally up to 12 months, respectively.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days	175,406	17,760
Between 91 to 180 days	112	3
Over one year	161,624	162,024
	<u>337,142</u>	<u>179,787</u>

The movements in the provision for impairment loss of accounts receivable are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At beginning of year	157,782	157,973
Other remeasurement of loss allowance	<u>650</u>	<u>(191)</u>
At end of year	<u><u>158,432</u></u>	<u><u>157,782</u></u>

17. ACCOUNTS PAYABLE

The balances as at 31 March 2021 and 2020, based on the trade date, were all aged within 90 days.

18. OTHER PAYABLES AND ACCRUALS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accrued expenses	31,506	18,000
Interest payables	1,259,276	638,897
Other payables	<u>13,051</u>	<u>7,955</u>
	<u><u>1,303,833</u></u>	<u><u>664,852</u></u>

19. BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current:		
Other borrowings, unsecured	<u>30,000</u>	<u>30,000</u>
Current:		
Bank borrowings, unsecured	74,000	–
Other borrowings, secured	2,682,687	2,682,687
Other borrowings, unsecured	<u>254,021</u>	<u>43,000</u>
Total current borrowings	<u><u>3,010,708</u></u>	<u><u>2,725,687</u></u>
Total borrowings	<u><u>3,040,708</u></u>	<u><u>2,755,687</u></u>

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by Crowe (HK) CPA Limited, the independent auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 March 2021.

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. Deconsolidation of subsidiaries during the year ended 31 March 2020

As explained in note 2.1* to the consolidated financial statements, as a result of the resignation of certain senior management members of the Company and non-cooperation of the management of certain subsidiaries (the “Deconsolidated Subsidiaries”), the directors of the Company had been unable to obtain and gain access to the books and records and assets of the Deconsolidated Subsidiaries of the Company and had therefore resolved that the Group no longer had the controlling power to govern the financial and operating policies of the Deconsolidated Subsidiaries so as to benefit from their activities. Accordingly, the Deconsolidated Subsidiaries were deconsolidated from the consolidated financial statements of the Group from 1 April 2019 onwards. As a result of the circumstances described above, the directors of the Company have been unable to provide us with a complete set of accounting books and records of the Deconsolidated Subsidiaries. We have therefore been unable to carry out audit procedures to obtain sufficient reliable audit evidence to satisfy ourselves as to whether:

- (i) the loss on deconsolidation of the subsidiaries of approximately HK\$2,092,200,000 included in the consolidated statement of profit or loss of the Group for the year ended 31 March 2020 as well as the related disclosures set out in the notes to the consolidated financial statements are free from material misstatement; and
- (ii) the Group had lost its control over the Deconsolidated Subsidiaries.

Any adjustment that might have been found to be necessary in respect of the above may have a significant effect on the state of the Group's affairs as at 31 March 2021 and 31 March 2020 and on its loss for the years ended 31 March 2021 and 31 March 2020.

* *Being note 1 in this announcement*

2. Investments in associates

As explained in note 16* to the consolidated financial statements, there is no sufficient financial information of the associates available for the years ended 31 March 2021 and 2020 because the management of the associates refused to provide such required financial information to the Group. Based on the assessment of the directors of the Company, the Group had fully impaired its investments in associates of HK\$341,674,000 during the year ended 31 March 2020.

Besides, based on the latest records available to the Company, the Group's shareholding interest in an associate, FreeOpt Holdings Limited, was diluted to 17.61% during the year ended 31 March 2021. As (i) it was not practicable for an audit to be performed on the associates due to insufficient financial information and the non-cooperation of the associates' management; (ii) the audited result of the associates for the years ended 31 March 2021 and 31 March 2020 have not been made available to us as at the date of this report; and (iii) the directors of the Company were also unable to provide us with adequate information in support of the impairment assessment of investments in associates, together with the basis and rationale of recognising the impairment loss of investments in associates of HK\$341,674,000 for the year ended 31 March 2020 and their basis for assessing the carrying amounts of the investments in associates as at 31 March 2021, we were therefore unable to obtain sufficient appropriate audit evidence in relation to (i) the amount of the Group's share of losses and other comprehensive income relating to investments in associates recognised in profit or loss and other comprehensive income for the years ended 31 March 2021 and 2020; (ii) the estimate of the carrying value of the Group's investments in associates as at 31 March 2021 and 31 March 2020; (iii) whether the impairment loss of investments in associates of HK\$341,674,000 included in the consolidated statement of profit or loss of the Group for the year ended 31 March 2020 is free from material misstatement; and (iv) whether the investment in FreeOpt Holdings Limited had been properly accounted for, classified, presented and disclosed in the consolidated financial statements as at and for the year ended 31 March 2021.

As a result, we were unable to determine whether adjustments might have been found to be necessary in respect of investments in associates, and the elements making up the consolidated statement of profit or loss, the consolidated statement of comprehensive income and the consolidated statement of changes in equity and the related disclosures.

* *Being note 12 in this announcement*

3. Investment in an unlisted equity investment

As explained in note 18* to the consolidated financial statements, the Group held a financial asset classified as at fair value through other comprehensive income (non-recycling) with respect to 15.20% equity interest in an investment holding company (“Entity A”) as at 31 March 2021 (“FVOCI in Entity A”). A fair value loss of HK\$841,762,000 has been recognised in the consolidated statement of comprehensive income during the year ended 31 March 2020 for such FVOCI in Entity A. Management assessed there was no change in the fair value of FVOCI in Entity A during the year ended 31 March 2021.

In assessing the fair value of FVOCI in Entity A as at 31 March 2021 and 31 March 2020, the directors of the Company adopted the net assets value approach based on Entity A’s unaudited management accounts for each of the two years ended 31 March 2021 and 31 March 2020 and adjusted for the factors they considered might affect its fair value to estimate its fair value as described in note 18* to the consolidated financial statements. The Group, however, is unable to obtain sufficient financial information of Entity A as at and for the years ended 31 March 2021 and 31 March 2020 because of the non-cooperation of the management of Entity A. The directors of the Company considered that the basis applied in the fair value assessment of the FVOCI in Entity A represents their best estimate. We were unable to obtain sufficient appropriate audit evidences we considered necessary to assess the appropriateness of the basis of valuation of the FVOCI in Entity A as at 31 March 2021 and 31 March 2020 adopted by the directors of the Company, including access to the management of Entity A to assess the appropriateness and accuracy of the financial information, and to obtain the latest audited financial information of Entity A and reliable information to support the adjustments made to the net assets value of Entity A. There were no other satisfactory procedures that we could perform to determine whether any adjustments to the carrying amount of the FVOCI in Entity A as at 31 March 2021 and 31 March 2020 and the related fair value change were necessary.

* *Being note 13(c) in this announcement*

4. Multiple uncertainties relating to going concern

On 12 March 2019 and 10 April 2019, the Company received demand letters from lenders for the immediate repayment of outstanding principal amounts of approximately HK\$783,747,000 and HK\$429,197,000 respectively. On 26 April 2019, the Company received a notice of event of default from another lender intended to reserve its right to demand immediate repayment for borrowings with an outstanding principal amount of approximately HK\$776,514,000 at 31 March 2019. On 10 May 2019, the Company received a notice of petition from one of the above lenders issued under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) from the High Court of the Hong Kong Special Administrative Region (the “High Court”) that the Company be wound up by the High Court on the ground that the Company was insolvent and unable to pay its debts. In addition, on 10 June 2019, the Company received a notice of event of default and demand for repayment from another lender for the immediate repayment of outstanding principal, together with accrued interest due totaling to approximately HK\$718,436,000.

As at 31 March 2021, the Group incurred a loss attributable to ordinary equity holders of the Company of approximately HK\$701,690,000 and had net current liabilities and net liabilities of approximately HK\$3,713,949,000 and HK\$2,974,823,000 respectively. These conditions indicate the existence of material uncertainties which may cast significant doubt about the ability of the Group to continue as a going concern.

As further explained in Note 2.1*, the directors of the Company have been taking measures to improve the liquidity and solvency position of the Group. These measures include (i) identified an investor for putting forward a debt restructuring plan of the Company and provision of loans to the Company; (ii) put forward a debt restructuring plan to the creditors of the Company; (iii) speeding up the collection of receivables process; and (iv) tightening operating cash outflows through cutting costs and capital expenditures.

As at the date of approval of these consolidated financial statements, the implementations of these measures are still in progress. The Company continues to seek new business opportunities to improve its profitability and business prospects, consolidate or streamline its existing business, enhance its future business development and strengthen its revenue base, and may diversify into other businesses should suitable opportunities arise. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the measures taken by the directors of the Company. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and, therefore, do not include any adjustments relating to the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

* *Being note 1 in this announcement*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

BUSINESS REVIEW

Freemen FinTech Corporation Limited (the “Company”) is an investment holding company whose subsidiaries are principally engaged in the provision of financial services in Hong Kong. As at the date of this annual results announcement, the Group continues to carry out, amongst others, (i) provision of securities and futures brokerage services; (ii) provision of margin financing services; (iii) provision of placing and underwriting services; (iv) provision of insurance brokerage and financial planning services; and (v) provision for asset management and advisory services.

The consolidated net loss for the year ended 31 March 2021 (the “Period”) of the Company and its subsidiaries (collectively referred to as the “Group”) was HK\$702 million (2020: HK\$3,839 million). The consolidated net liabilities of the Group increased from HK\$2,331 million as at 31 March 2020 to HK\$2,975 million as at 31 March 2021. The consolidated net loss was mainly attributable to finance costs of HK\$636 million.

APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS AND WINDING-UP OF THE COMPANY

References are made to the announcements of the Company dated 14 May 2019, 27 February 2020, 28 February 2020, 6 April 2020, 27 May 2020, 27 August 2020, 27 November 2020, 1 December 2020, 9 April 2021 and the circular of the Company dated 26 May 2021 (the “Circular”).

On 10 May 2019, the Petitioner filed the Petition against the Company with the High Court of Hong Kong.

On 27 February 2020, the Company received a Summons taken out by the Petitioner for the appointment of the joint and several provisional liquidators of the Company. At the direction of the High Court, the Summons was fixed for hearing before the High Court on 28 February 2020.

On 28 February 2020, the High Court ordered that Messrs. Lai Kar Yan (Derek) and Ho Kwok Leung Glen of Deloitte Touche Tohmatsu be appointed as provisional liquidators (the “Provisional Liquidators”) of the Company with power to act jointly and severally until the determination of the Petition (or further order of the High Court). Pursuant to the PL Appointment Order, the Provisional Liquidators are empowered to, amongst others, take possession and control of assets of the Group, ascertain and investigate the affairs of the Group, and to carry on/close/cease the Group’s business operations (in so far for the purpose of protecting the assets).

On 26 March 2020, upon application made by the Provisional Liquidators, the High Court granted an order to extend the Provisional Liquidators’ power such that the Provisional Liquidators are empowered, *inter alia*, to consider and, if thought to be in the best interests of creditors of the Company, to enter into discussions and/or negotiations for and on behalf of the Company, for the purpose of, but not limited to, restructuring of the Company’s business and operations, and/or restructuring or rescheduling the Company’s indebtedness, or for the sale of its assets, provided that any such proposed restructuring, rescheduling or sale shall not be binding on the Company unless and until approved by the High Court.

On 4 November 2020, upon application made by the Provisional Liquidators, the Grant Court issued an order, which, among other things, recognised the PL Appointment Order and the Provisional Liquidators presenting and prosecuting a petition in the Grand Court in respect of the Scheme in furtherance of the proposed rescue and restructuring of the Company and its debts.

On 1 April 2021, the Provisional Liquidators and the Petitioner jointly applied to the High Court requesting to vacate the next adjourned hearing of the Petition to be held on 19 April 2021 and to adjourn it to a date to be fixed no earlier than August 2021. On 7 April 2021, the High Court approved the next adjourned hearing of the Petition will be held on a date to be fixed no earlier than August 2021.

RESTRUCTURING OF THE COMPANY

References are made to the announcements of the Company dated 19 March 2020, 13 August 2020, 27 August 2020, 17 November 2020, 23 November 2020, 27 November 2020, 30 December 2020, 22 January 2021, 5 February 2021, 26 February 2021, 27 May 2021, 17 June 2021 and 24 June 2021 and the Circular dated 26 May 2021.

Suspension of trading in shares of the Company

Trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has been suspended with effect from 1:12 p.m. on 28 February 2020.

Resumption Guidance

On 19 March 2020, the Company received a letter from the Stock Exchange, in which, *inter alia*, the Stock Exchange set out the following Resumption Guidance for the Company:

1. demonstrate the Company's compliance with Rule 13.24 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules");
2. have the winding-up petition(s) withdrawn or dismissed and the joint and several provisional liquidators discharged; and
3. inform the market of all material information for the Company's shareholders and other investors to appraise the Group's position.

On 30 June 2020, the Company received a letter from the Stock Exchange, in which the Stock Exchange set out the following additional resumption guidance for the Company:

4. publish all outstanding financial results and address any audit modification(s).

Under Rule 6.01A(1) of the Listing Rules, it may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 27 August 2021 (the "Deadline"). The Stock Exchange advised that if the Company fails to remedy the issues causing its trading suspension, fulfil the resumption guidance and fully comply with the Listing Rules to the Stock Exchange's satisfaction, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

The Company will take appropriate steps to fully comply with the Listing Rules to the Stock Exchange's satisfaction in order to have trading in the Company's shares resumed. The Company will keep the public informed of developments in this regard by making further announcements as and when appropriate.

Proposed Restructuring of the Group

On 13 August 2020, the Company, the Provisional Liquidators and Radiant Alliance Limited (the "Investor") entered into the Term Sheet, setting out the key commercial terms of the proposed restructuring of the Company.

On 2 September 2020, the Provisional Liquidators obtained the sanction from the High Court for entering into, among others, the Term Sheet and all requisite agreements arising therefrom in order to implement the proposed Restructuring.

On 10 September 2020, the Company, the Provisional Liquidators and the Investor entered into the Restructuring Deed, pursuant to which the Company, the Provisional Liquidators and the Investor agreed on the principal terms of the Restructuring which shall include, among others, (a) the provision of the First Loan and the Second Loan by the Investor; (b) the Subscription; (c) the Share Premium Cancellation; (d) the Resumption; (e) if the Resumption is not approved by the Stock Exchange, the Acquisition; and (f) the Schemes.

The Investor is a limited liability company incorporated in the British Virgin Islands, which is wholly-owned by Divine Artemis Limited and is in turn wholly-owned by Dr. Cheng Chi-Kong, Adrian. Dr. Cheng is the executive vice-chairman and chief executive officer of New World Development Company Limited; executive director of NWS Holdings Limited, New World Department Store China Limited and Chow Tai Fook Jewellery Group Limited; and a non-executive director of Giordano International Limited and New Century Healthcare Holding Co. Limited, all being listed public companies in Hong Kong.

Pursuant to the First Loan Agreement, the Investor has paid HK\$161,174,982, being an amount equivalent to the LC Agreed Consideration, to the Designated Account for the purpose of repayment to the LC Secured Lender upon all relevant conditions set out therein being satisfied.

On 21 October 2020, the Securities and Futures Commission of Hong Kong (the “SFC”) has approved the Investor to become a substantial shareholder of the Licensed Corporations.

As part of the Schemes, the Group will undergo a group reorganisation pursuant to which the Company will transfer all its right, title and interest in and to the Excluded Subsidiaries to a nominee of the Scheme Administrators at a nominal value. After such transfer, proceeds from the realisation of any existing assets of the Excluded Subsidiaries will be distributed for the benefit of the Scheme Creditors. Upon completion of the proposed Restructuring (subject to a number of conditions precedent being fulfilled or waived), the Retained Subsidiaries, namely Freeman Securities Limited (“FSL”), Freeman Commodities Limited (“FCL”), Freeman Corporate Finance Limited, Freeman Prestige Wealth Management Limited, People Securities Company Limited, Freeman Trustee Limited, the Turnbridge Companies, Freeman Technology Limited and Freeman FullNode Limited and any other investment holding companies incorporated solely for the purpose of holding any of the Retained Subsidiaries will remain in the Retained Group.

On 24 December 2020, upon application made by the Provisional Liquidators, the Grand Court and the High Court have approved the convening of the Scheme Meetings.

On 22 January 2021, the resolution to approve the Scheme was duly passed at the Scheme Meetings.

On 2 February 2021 (Hong Kong time) and 3 February 2021 (Cayman Islands time), the High Court and the Grand Court have sanctioned without modification the Hong Kong ListCo Scheme under Hong Kong law and the Grand Court has sanctioned without modification the Cayman Islands ListCo Scheme under the Laws of Cayman Islands, respectively.

On 10 March 2021, the Company submitted the Resumption Proposal to the Stock Exchange. On 4 May 2021 and 17 June 2021, the Company submitted to the Stock Exchange the latest revised Resumption Proposal (the “Revised Resumption Proposal”) addressing comments from the Stock Exchange. As at the date of this annual results announcement, the Company is in the course of addressing comments from the Stock Exchange on the Revised Resumption Proposal.

On 26 May 2021, the Company despatched the Circular to the Shareholders, containing, among others, details of (i) the Restructuring Deed; (ii) the Specific Mandate; (iii) the Whitewash Waiver; (iv) the Special Deals; (v) the letter from the independent financial adviser to the Independent Shareholders; and (vi) a notice of the EGM.

On 17 June 2021, all the resolutions contemplated under the Restructuring Deed were duly passed by the Shareholders or the Independent Shareholders (as the case may be) by way of poll at the EGM of the Company.

On 17 June 2021, all Conditions Precedent have been fulfilled for the release of the proceeds of the First Loan from the Designated Account to the ListCo Account for repayment to the LC Secured Lender.

Accordingly, on 24 June 2021:

- (i) the proceeds of the First Loan (less the Retention Money) was released from the Designated Account to the ListCo Account, and subsequently paid to the LC Secured Lender;
- (ii) the LC Secured Lender, FFIC, Freeman Corporation, AUL, FUIL, the Company and the Provisional Liquidators entered into a consent deed, pursuant to which the LC Secured Lender, among others, granted the Consent to the effect and intent that none of the Retained Subsidiaries shall be held by any company (whether directly or indirectly) the shares of which (i) have been mortgaged to the LC Secured Lender or (ii) are subject to any form of encumbrances whether created under or otherwise resulting from the Facility Agreement and/or the Share Mortgage;
- (iii) FSL as assignor and the LC Secured Lender as assignee entered into a deed of assignment, pursuant to which all the right, title, benefits and interest in and arising from or in respect of the residue sum that is left after FSL completes the SSCL Disposal and uses the proceeds generated therefrom to repay to the SSCL Secured Creditor to settle all outstanding liabilities owing to the SSCL Secured Creditor was assigned by FSL to the LC Secured Lender; and
- (iv) FSL, FCL, FPWML, FCFL(HK), People and FTL, each as an assignor; and DUL, HFSL, FCFL(BVI), FU Securities and Freeman Agency Services Limited, each as an assignee, entered into a deed of assignment, pursuant to which the Assets were assigned by the assignors to the assignees to the effect that such Assets were assigned to companies the shares of which have been (directly or indirectly) mortgaged to the LC Secured Lender.

Upon Resumption, if so approved by the Stock Exchange, the Investor shall hold approximately 75% of the enlarged issued share capital of the Company upon completion of the First Loan Conversion, the Subscription, the issue of the Scheme Shares, the Placing Down and the Second Loan Conversion.

INVESTMENTS IN ASSOCIATES

As at 31 March 2021, the Group held investments in associates with no value as the financial information of all the associates for the year ended 31 March 2021 is not available to the Group, representing (i) 31.74% (2020: 31.74%) effective shareholding interests in Imagination Holding Limited (“Imagination”), (ii) 28.13% (2020: 36.17%) shareholding interests in Jocasta Ventures Ltd (“Jocasta”), and (iii) 17.61% (2020: 31.38%) shareholding interests in FreeOpt Holdings Limited (“FreeOpt”).

Imagination is a company incorporated in the Republic of the Marshall Islands and an investment holding company. Its subsidiaries are principally engaged in the provision of money lending service and investment holding.

Jocasta is a company incorporated in the British Virgin Islands and an investment holding Company. Its subsidiary is principally engaged in the provision of money lending service.

FreeOpt is a company incorporated in the Republic of the Marshall Islands and an investment holding company. Its subsidiaries are principally engaged in the provision of money lending service.

The Group accounted for the investments in associates using the equity method.

OTHER FINANCIAL ASSETS

As at 31 March 2021, the Group recorded non-current other financial assets of HK\$745 million (2020: HK\$686 million), representing (i) an unlisted equity investment with 12.17% (2020: 12.17%) 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 HK\$722 million (2020: HK\$660 million) (with an original investment cost of Renminbi (“RMB”) 525 million as at the end of both reporting periods), representing 50.9% (2020: 58.9%) of the total assets of the Group of HK\$1,418 million (2020: HK\$1,120 million); and (ii) listed securities of The Philippine Stock Exchange, Inc. (“PSE”, whose shares are listed on The Philippine Stock Exchange, Inc., symbol: PSE) with a carrying amount of HK\$23 million (2020: HK\$26 million) (with an original investment cost of Philippines Peso (“PHP”) 252 million as at the end of both reporting periods), representing 1.6% (2020: 2.3%) of the total assets of the Group, representing 1.2% (2020: 1.2%) of PSE’s total issued shares.

i. Securities Company

The Securities Company is principally engaged in securities brokerage, securities underwriting and sponsoring, securities trading and securities asset management related businesses in China. Based on the audited financial statements of the Securities Company for the year ended 31 December 2020, the Securities Company recorded revenue of RMB1,422 million (equivalent to HK\$1,599 million) (2019: RMB785 million (equivalent to HK\$890 million)), net profit for the year of RMB331 million (equivalent to HK\$372 million) (2019: RMB75 million (equivalent to HK\$82 million)), total assets of RMB9,535 million (equivalent to HK\$10,719 million) (2019: RMB9,475 million (equivalent to HK\$10,587 million)) and net assets of RMB4,407 million (equivalent to HK\$4,954 million) (2019: RMB4,076 million (equivalent to HK\$4,555 million)).

References are made to the announcements of the Company dated 17 November 2020 and 10 February 2021. On 10 November 2020, FSL, the Provisional Liquidators, Jiangsu Shagang Group Company Limited* (江蘇沙鋼集團有限公司) (the “SSCL Purchaser”) and Cheery Plus Limited (the “SSCL Secured Creditor”) entered into a term sheet, pursuant to which FSL conditionally agreed to sell, and the SSCL Purchaser conditionally agreed to acquire, 12.17% of shareholding interest in the Securities Company at the consideration of RMB600 million.

On 9 February 2021, FSL, the Provisional Liquidators, the SSCL Purchaser and the SSCL Secured Creditor entered into the SSCL Disposal Supplemental Term Sheet, pursuant to which the parties agreed to amend and supplement the terms of the SSCL Disposal Term Sheet. On the same date, FSL, the Provisional Liquidators and the SSCL Purchaser entered into the SSCL Share Transfer Agreement, pursuant to which FSL conditionally agreed to sell, and the SSCL Purchaser conditionally agreed to acquire, the SSCL Interest at the consideration of RMB600 million.

The SSCL Purchaser has paid RMB90 million to the Provisional Liquidators as deposit. As at the date of this annual results announcement, the Securities Company did not have material impact on the earnings of the Group.

* *for identification purpose only*

ii. PSE

PSE and its subsidiaries are principally engaged in the provision of trading, clearing, depository and information services for the equity market in the Philippines. The stock price of the listed securities of PSE as at 31 March 2021 amounted to PHP142.8 (equivalent to HK\$23) per share (2020: PHP169 (equivalent to HK\$26) per share). Based on the annual report of PSE for the financial year ended 31 December 2020, PSE and its subsidiaries recorded revenue of PHP1,314 million (equivalent to HK\$205 million) (2019: PHP1,291 million (equivalent to HK\$196 million)), profit for the year of PHP657 million (equivalent to HK\$103 million) (2019: PHP679 million (equivalent to HK\$103 million)) total assets of PHP6,806 million (equivalent to HK\$1,097 million) (2019: PHP6,289 million (equivalent to HK\$966 million)) and net assets of PHP5,465 million (equivalent to HK\$881 million) (2019: PHP4,817 million (equivalent to HK\$740 million)). As at the date of this annual results announcement, PSE did not have material impact on the earnings of the Group.

iii Entity A

At the end of the Period, the Company had an unlisted equity investment with 15.20% (2020: 19.06%) equity interest in an investment holding Company (“Entity A”), with an original investment cost of HK\$600 million. Due to the non-cooperation of the management of Entity A, the directors of the Company (the “Directors”) had been unable to obtain and access to the books and records and no sufficient financial information of Entity A as at and for the years ended 31 March 2021 and 2020 is available to the Directors. There was a fair value loss of investment in Entity A of HK\$842 million recorded for the year ended 31 March 2020 and there were no carrying amount of Entity A as at 31 March 2021 and 2020.

INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

Investment at fair value through profit of loss carries value less than 5% of the Group’s net assets as at 31 March 2021 and 2020.

The Group recorded net unrealised gains of investments at fair value through profit or loss of HK\$99 million (2020: net losses of HK\$20 million) for the year.

The Group realised its investments in listed securities with a carrying value of HK\$4 million (2020: HK\$63,000) for aggregate gross proceeds of HK\$15 million (2020: HK\$15,000), resulting net realised gains of investments at fair value through profit or loss of HK\$11 million (2020: net losses of HK\$48,000) for the current year.

FINANCIAL REVIEW

DECONSOLIDATION OF COMPANIES LOST CONTROL

Since the books and records of some of the Company's subsidiaries (i.e. Wins Finance and its subsidiaries) are not available to the Provisional Liquidators and the Directors, the Directors cannot ascertain the financial position of those subsidiaries after 31 March 2019. Together with the fact that the Company has lost control over those subsidiaries, the Directors are of the view that those subsidiaries should be deconsolidated from the Group with effect from 1 April 2019.

REVENUE AND PROFIT

For the year ended 31 March 2021, the Group's consolidated turnover was HK\$26 million (2020: HK\$69 million), consolidated net loss was HK\$702 million (2020: HK\$3,839 million). The consolidated net loss was mainly attributable to finance costs of HK\$636 million.

Income from securities and futures brokerage, placing, underwriting and margin financing services was HK\$13 million, representing a significant decrease of 73.5% as compared to HK\$49 million in 2020 due to adverse publicity surrounding the Group. Insurance brokerage income significantly decreased by 71.4% to HK\$2 million as compared to HK\$7 million in 2020 due to the outbreak of COVID-19 and travel restrictions. The Group had no interest income from provision of finance for the Period as compared to HK\$13 million in 2020 as the Group had not engaged into new loan contracts for the Period. There were no corporate finance advisory fee and factoring interest income for the both reporting periods ended 31 March 2021 and 2020.

The Group recorded an allowance for expected credit losses as provision for impairment loss of accounts receivable of HK\$650,000 for the Period for its accounts receivable balance arising mainly from the margin clients of the Group at the end of the Period. The Group had made no provision for impairment losses for loans receivable and factoring receivables for the Period (2020: HK\$266 million and HK\$298 million, respectively) based on the ageing of the overdue balances, borrowers' creditworthiness and historical write-off experience, and represented the allowance provided for the estimated loss arising from the inability of third party borrowers to make required repayments to the Group as at 31 March 2021. The Group continued to follow up with other third party borrowers including convening litigations and arranging settlements.

The accumulated provision for impairment loss of loans receivable of HK\$1,792 million represented the allowance provided for the estimated loss in relation to certain third party borrowers that the Group believes that will not be able to fully collect the overdue balances.

The accumulated provision for impairment loss of factoring receivables of HK\$313 million represented the allowance provided for the estimated loss in relation to certain third parties that the Group has not received any repayment of the overdue factoring receivables.

Finance costs of HK\$636 million for the Period (2020: HK\$696 million) were mainly due to interest accrued due to default and cross-default on certain loans.

Other income and gains substantially increased to HK\$13 million for the Period (2020: HK\$3 million). During the Period, the Group obtained government grants in Hong Kong of HK\$2 million under Employment Support Scheme and financial support in PRC of RMB2 million (equivalent to HK\$2 million) under Special Fund for Financial Services Development in Sino-Singapore Tianjin Eco-city* (中新天津生態城金融服務產業發展專項資金) (2020: Nil).

The Group recorded net unrealised gains on investments at fair value through profit or loss of HK\$99 million for the Period (2020: net losses of HK\$20 million). No result has been shared from associates for the both reporting periods ended 31 March 2021 and 2020 after the investments in associates were fully impaired during the year ended 31 March 2020.

Cost saving is a continuous aim in monitoring daily operations by the Group. This Period, general and administrative expenses amounted to HK\$66 million, representing a decrease of 44.1% as compared to HK\$118 million in 2020 which was mainly due to a decrease in staff costs and legal and professional fees. Total employee benefit expenses (excluding directors' remuneration) amounted to HK\$31 million for the Period (2020: HK\$43 million). Legal and professional fees amounted to HK\$3 million (2020: HK\$18 million) were incurred for the Period mainly for the Petition with details as stated under the paragraphs headed "Contingent Liabilities" and for the legal proceedings against certain borrowers and margin clients with overdue balances.

Net loss attributable to shareholders of the Company ("Shareholders") for the Period was HK\$702 million (2020: HK\$3,839 million). Basic and diluted loss per share was HK\$0.38 (2020: HK\$2.18).

* *for identification purpose only*

FINAL DIVIDEND

No dividend was declared during the year ended 31 March 2021 (2020: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2021, the Group had total assets of HK\$1,418 million (2020: HK\$1,120 million) and total liabilities of HK\$4,393 million (2020: HK\$3,451 million). The net liabilities of the Group as at 31 March 2021 were HK\$2,975 million (2020: HK\$2,331 million). As at 31 March 2021, net current liabilities of the Group amounted to HK\$3,714 million (2020: HK\$3,019 million) with cash and bank balances of HK\$399 million (2020: HK\$150 million) and the current ratio (current assets/current liabilities) was 0.15 (2020: 0.12). The Group had secured borrowings of HK\$2,683 million (2020: HK\$2,683 million) and unsecured borrowings of HK\$358 million (2020: HK\$73 million). Gearing ratio, calculated on the basis of the Group's borrowings divided by the equity attributable to the ordinary equity holders of the Company at 31 March 2021 and 2020 were not available as the Group had deficit in its equities. The borrowings of the Group carried floating interest rates calculated by reference to the Hong Kong Dollar Prime Rate or lender's costs of funds were made in Hong Kong dollar and United States ("US") dollar. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollar and US dollar. As Hong Kong dollar is pegged to US dollar, the foreign exchange risk exposures are considered limited. The Group did not have any financial instruments used for hedging purpose.

As at 31 March 2021 and 31 March 2020, the Company has no capital commitments. As at 31 March 2021, the Group had net deficiencies in assets of HK\$2,975 million (31 March 2020: HK\$2,331 million).

PLEDGE OF ASSETS

As at 31 March 2021, US\$90 million (equivalent to HK\$702 million) of borrowings were secured by the shares in the capital of certain wholly-owned subsidiaries of the Company, 20% equity interest of Wins Finance held by the Group, and personal guarantees given by Mr. Zhang Yong dong ("Mr. Zhang", a substantial shareholder of the Company) and his spouse.

As at 31 March 2021, US\$76 million (equivalent to HK\$593 million) and HK\$185 million of borrowings were secured by certain shares in the capital of a wholly-owned subsidiary of the Company, 17.26% equity interest of Wins Finance held by the Group, certain shares held by Mr. Zhang and personal guarantees given by Mr. Zhang and his spouse.

As at 31 March 2021, US\$99 million (equivalent to HK\$772 million) of borrowings were secured by 30% equity interest of Wins Finance held by the Group.

As at 31 March 2021, HK\$429 million of borrowings were secured by 12.17% equity interest of the Securities Company held by the Group.

EVENTS AFTER REPORTING PERIOD

Proposed restructuring

References are made to the announcements of the Company dated 26 May 2021, 17 June 2021 and 24 June 2021 and the Circular dated 26 May 2021.

On 26 May 2021, the Circular containing, among others, details of (i) the Restructuring Deed; (ii) the Specific Mandate; (iii) the Whitewash Waiver; (iv) the Special Deals; (v) the letter from the independent financial adviser to the Independent Shareholders; and (vi) a notice of the EGM has been despatched to the Shareholders.

On 17 June 2021, the Company held an EGM for the purpose of considering and passing the special and ordinary resolutions of the Company and all the resolutions contemplated under the Restructuring Deed were duly passed by the Shareholders or the Independent Shareholders (as the case may be) by way of poll at the EGM.

On 17 June 2021, all Conditions Precedent have been fulfilled for the release of the proceeds of the First Loan from the Designated Account to the ListCo Account for repayment to the LC Secured Lender.

Accordingly, on 24 June 2021:

- (i) the proceeds of the First Loan (less the Retention Money) was released from the Designated Account to the ListCo Account, and subsequently paid to the LC Secured Lender;
- (ii) the LC Secured Lender, FFIC, Freeman Corporation, AUL, FUIL, the Company and the Provisional Liquidators entered into a consent deed, pursuant to which the LC Secured Lender, among others, granted the Consent to the effect and intent that none of the Retained Subsidiaries shall be held by any company (whether directly or indirectly) the shares of which (i) have been mortgaged to the LC Secured Lender or (ii) are subject to any form of encumbrances whether created under or otherwise resulting from the Facility Agreement and/or the Share Mortgage;
- (iii) FSL as assignor and the LC Secured Lender as assignee entered into a deed of assignment, pursuant to which all the right, title, benefits and interest in and arising from or in respect of the residue sum that is left after FSL completes the SSCL Disposal and uses the proceeds generated therefrom to repay to the SSCL Secured Creditor to settle all outstanding liabilities owing to the SSCL Secured Creditor was assigned by FSL to the LC Secured Lender; and
- (iv) FSL, FCL, FPWML, FCFL(HK), People and FTL, each as an assignor; and DUL, HFSL, FCFL(BVI), FU Securities and Freeman Agency Services Limited, each as an assignee, entered into a deed of assignment, pursuant to which the Assets were assigned by the assignors to the assignees to the effect that such Assets were assigned to companies the shares of which have been (directly or indirectly) mortgaged to the LC Secured Lender.

MATERIAL ACQUISITIONS/DISPOSALS

Save as mentioned in this announcement, the Group did not have any significant investments nor did it make any material acquisitions or disposals of subsidiaries and associates throughout the year ended 31 March 2021.

CAPITAL COMMITMENTS

As at 31 March 2021, the Group had no capital commitments (2020: Nil).

CONTINGENT LIABILITIES

On 1 April 2021, the Provisional Liquidators and the Petitioner jointly applied to the High Court requesting to adjourn the hearing of the Petition to a date to be fixed no earlier than August 2021. On 7 April 2021, the High Court approved the next adjourned hearing of the Petition will be held on a date to be fixed no earlier than August 2021. As of the date of this annual results announcement, the amount of total loss is uncertain.

Save as disclosed elsewhere in this annual results announcement, the Group is not aware of other material contingent liabilities as at 31 March 2021.

EMPLOYEES' REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

As at 31 March 2021, the Group employed 67 staff members including the Executive Directors of the Company (2020: 58 staff members). Staff costs incurred for the year, including directors' remuneration, were HK\$38 million (2020: HK\$60 million). 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. During the Period, no share options were granted or exercised, and all outstanding 115,895,632 share options lapsed.

PROSPECTS

References are made to the announcements of the Company dated 17 November 2020, 23 November 2020 and 27 November 2020 and the Circular dated 26 May 2021.

The Company has entered into a Restructuring Deed with the Investor where the principal terms of the Restructuring which shall include, among others, (a) the provision of the First Loan and the Second Loan by the Investor; (b) the Subscription; (c) the Share Premium Cancellation; (d) the Resumption; (e) if the Resumption is not approved by the Stock Exchange, the Acquisition; and (f) the Schemes.

Upon completion of the proposed Restructuring (subject to a number of conditions precedent being fulfilled or waived), the Company's right, title and interest in and to the Excluded Subsidiaries will be transferred to a nominee of the Scheme Administrators and the Excluded Subsidiaries will cease to be subsidiaries of the Company. All the claims against the Company by the creditors will be discharged and compromised in full, the financial and liquidity position of the Retained Group will be substantially improved.

As disclosed in the Circular, the subsidiaries of the Company will (a) continue to be principally engaged in financial services sector, including (i) the provision of securities and futures brokerage services, placing, underwriting and margin financing services; and (ii) the provision of insurance brokerage and financial planning services; and (b) develop the businesses in (i) the provision of asset management and advisory services; and (ii) the provision of corporate finance advisory services.

The Company will continue to seek new business opportunities to improve its profitability and business prospects, consolidate or streamline its existing business, enhance its future business development and strengthen its revenue base, and may diversify into other businesses should suitable opportunities arise.

The Directors are confident that upon completion of the proposed Restructuring, with the support from the Investor, the Retained Group's business will be improved and the Retained Group will have sufficient level of operation to maintain its listing status.

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

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company.

AUDIT COMMITTEE

The Company has an Audit Committee which comprises three Independent Non-executive Directors (the "INEDs"). Following the appointment of the Provisional Liquidators on 28 February 2020, (a) the powers of the Directors have been transferred to and assumed by the Provisional Liquidators; (b) the Provisional Liquidators have the power to authorise any Director as they think fit to assist them in managing the affairs of the Company and only the current executive Directors and non-executive Directors, namely Mr. Lau Fu Wing (Eddie), Mr. Yau Pak Yue, Mr. Choi Wai Hong, Clifford, Ms. Ang Mei Lee Mary and Mr. Chung Wai Man have been so authorised; and (c) no current INEDs has been involved in any affairs of the Company, thus, the audit committee has not been maintained as required by the Listing Rules and has not reviewed the annual results. Appropriate personnel will be appointed as members of audit committee before the resumption of the trading in the shares of the Company on the Stock Exchange.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2021 as set out in the preliminary announcement have been agreed by the Company's auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 March 2021. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on the preliminary announcement.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules as its own code on corporate governance practices. During the reporting period, the Company appeared to comply, based on the information available to the Directors, with the Code Provisions as set out in the CG Code, except for the following:

- Code Provision A.6.7 of the CG Code – two INEDs were unable to attend the annual general meeting of the Company held on 1 April 2021 as they had other engagements.
- Section F of the CG Code – since the Company has no company secretary from 6 March 2020, the Company was unable to comply with relevant Code Provisions under Section F.
- Section L of the CG Code – Following the appointment of the Provisional Liquidators on 28 February 2020, (a) the powers of the Directors have been transferred to and assumed by the Provisional Liquidators; (b) the Provisional Liquidators have the power to authorise any Director as they think fit to assist them in managing the affairs of the Company and only the current executive Directors and non-executive Directors, namely Mr. Yau Pak Yue, Mr. Choi Wai Hong, Clifford, Ms. Ang Mei Lee Mary and Mr. Chung Wai Man have been so authorised; and (c) no current INEDs has been involved in any affairs of the Company, thus, the Audit Committee has not been maintained.

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 with all Directors, the Company confirmed that throughout the Period, all Directors have complied with the required standards set out in the Model Code.

PUBLICATION OF FINANCIAL INFORMATION

This annual results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.freeman279.com). The annual report will be despatched to the shareholders of the Company and available on the above websites in due course.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended with effect from 1:12 p.m. on 28 February 2020 and will remain suspended pending fulfilment of the resumption conditions and such other further conditions that may be imposed by the Stock Exchange. The Company will keep the Shareholders and the public informed of the latest developments by making further announcement(s) as and when appropriate.

By Order of the Board
Freeman FinTech Corporation Limited
(Provisional Liquidators Appointed)
Choi Wai Hong, Clifford
Executive Director

Hong Kong, 30 June 2021

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

Executive Directors:

Mr. Lau Fu Wing (Eddie)
Mr. Choi Wai Hong, Clifford
Mr. Yau Pak Yue

Non-executive Directors:

Ms. Ang Mei Lee Mary
Mr. Chung Wai Man

Independent Non-executive Directors:

Mr. An Dong
Mr. Fung Tze Wa
Mr. Wu Keli