

---

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

---

If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult a licensed securities dealer registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Freeman Fintech Corporation Limited (Provisional Liquidators appointed), you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of the Company.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---



## 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)

- (1) PROPOSED RESTRUCTURING, INVOLVING, INTER ALIA,  
(A) THE RESTRUCTURING DEED;  
(B) PROPOSED ISSUE OF THE FIRST LOAN CONVERSION SHARES, THE  
SUBSCRIPTION SHARES, THE SCHEME SHARES AND THE SECOND LOAN  
CONVERSION SHARES UNDER SPECIFIC MANDATE;  
(C) APPLICATION FOR WHITEWASH WAIVER;  
(D) THE SPECIAL DEALS;  
(2) PROPOSED APPOINTMENT OF PROPOSED DIRECTORS; AND  
(3) NOTICE OF EGM

Financial adviser to the Company

**Deloitte.**

Deloitte & Touche Corporate Finance Limited

德勤

Independent Financial Adviser to  
the Independent Shareholders

**VEDA | CAPITAL**  
智略資本

---

Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Provisional Liquidators is set out on pages 21 to 90 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Shareholders is set out on pages 91 to 137 of this circular.

A notice convening the EGM of the Company to be held at 4:00 p.m. on Thursday, 17 June 2021 at Lecture Hall, 4/F, Duke of Windsor Social Service Building, Wanchai, Hong Kong is set out on pages EGM-1 to EGM-7 of this circular.

Whether or not you are able to attend the EGM of the Company in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the EGM of the Company or any adjournment thereof. Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the EGM of the Company or any adjourned meeting should you so wish. In such event, the instrument appointing a proxy shall be deemed revoked.

---

## CONTENTS

---

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Provisional Liquidators</b> .....	21
<b>Letter from the Independent Financial Adviser</b> .....	91
<b>Appendix I – Financial Information of the Group</b> .....	I-1
<b>Appendix II – Unaudited Pro Forma Financial Information of the Remaining Group</b> .....	II-1
<b>Appendix III – General Information</b> .....	III-1
<b>Notice of EGM</b> .....	EGM-1

---

## DEFINITIONS

---

*In this circular, unless the context otherwise requires, the following expressions shall have the meanings set out below:*

“Acquisition”	the acquisition of 100% shareholdings of the Retained Subsidiaries
“Acquisition SPA”	the sale and purchase agreement entered into in respect of the Acquisition on 24 September 2020 which shall take effect if among others, the Resumption is not approved by the Stock Exchange by the Long Stop Date (as amended and supplemented by a supplemental agreement dated 17 November 2020 and the Second Supplemental Agreement)
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Actual Taxation Liability”	the actual liability payable by FSL pursuant to the Tax Disputes Determination
“Adjudicator(s)”	such person(s) with experience in the adjudication of creditors’ claims in a liquidation as the Scheme Administrators shall nominate in their absolute discretion
“Associates”	entities in which the Group has certain equity interest, namely FreeOpt Holdings Limited, Jocasta Ventures Ltd and Imagination Holding Limited
“AUL”	Ambition Union Limited, a company incorporated in the British Virgin Islands, the holder of the entire issued share capital of FUIL and an indirect wholly-owned subsidiary of the Company
“AUL Mortgaged Shares”	20,000,000 shares in AUL, representing the entire issued share capital of AUL, which have been mortgaged to the LC Secured Lender pursuant to the Share Mortgage
“Board”	the board of Directors of the Company
“Business Day(s)”	a day on which banks are open for general banking in Hong Kong (other than Saturday or a day on which a tropical cyclone warning number 8 or above or a black rainstorm warning signal is hoisted or in force in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.)

---

## DEFINITIONS

---

“Cayman Islands ListCo Scheme”	the scheme of arrangement entered into between the Company and the ListCo Creditors with, or subject to, any modification, addition or conditions approved or imposed by the Grand Court
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Coastal Treasure”	Coastal Treasure Limited, a company incorporated in the British Virgin Islands with limited liability, who is a Shareholder, and its ultimate beneficial owner is China Huarong Asset Management Co., Ltd., the shares of which are listed on the Stock Exchange (stock code: 2799)
“Code of Conduct”	the Code of Conduct for Persons Licensed by or Registered with the SFC issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Companies Law”	the Companies Law (2020 Revision) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)
“Company”	Freeman FinTech Corporation Limited (Provisional Liquidators Appointed) (stock code: 279), a company incorporated in the Cayman Islands with limited liabilities whose shares are listed on the Stock Exchange
“Completion”	completion of the proposed Restructuring
“Conversion Period”	the period commencing from the date falling on the first (1st) anniversary of the date of Resumption and up to and inclusive of the date falling on the third (3rd) anniversary of the date of Resumption

---

## DEFINITIONS

---

“Convertible Bonds”	the secured convertible bonds created and constituted by the Convertible Bonds Instrument and any deed poll supplemental thereto and issued with the benefit of and subject to the provision of the Convertible Bonds Instrument in principal amount of HK\$437,000,000
“Convertible Bonds Instrument”	the instrument by way of deed poll dated 24 August 2017 executed by the Company creating and constituting the Convertible Bonds
“Core Net Asset Value”	HK\$148,640,890, being the adjusted net asset value of the Licensed Corporations as at 31 July 2020 as stated in the Management Accounts and reviewed by the Investor for due diligence purpose, which has excluded, among others, (a) the inter-Group current account receivable from the Excluded Subsidiaries; (b) FSL’s investment or interest in SSCL, interest in the SSCL Disposal and/or the proceeds generated therefrom; (c) the balance in the client accounts of the Licensed Corporations; (d) all rights and claims of the Licensed Corporations against third parties, and the benefit of all sums to which the Licensed Corporations is entitled from third parties and/or insurers in respect of loss or damage to the Licensed Corporations subsisting 31 July 2020; (e) the Estimated Taxation Liability; and (f) all rights regarding certain margin loan receivable of FSL
“Court”	the High Court of Hong Kong
“Courts”	the Court and the Grand Court
“Cut-Off Date”	the date to be determined by the Scheme Administrators by which the ListCo Schemes Creditors must deliver a notice of claim for dividend purposes to the Scheme Administrators

---

## DEFINITIONS

---

“Deconsolidated Subsidiaries”	the subsidiaries which had been deconsolidated from the consolidated financial statements of the Group with effect from 1 April 2019, namely Wins Finance Holdings Inc., Wins Finance Group Limited, Full Shine Capital Resources Limited, Jinshang International Financial Leasing Co., Ltd.* (晉商國際融資租賃有限公司), Shanxi Jinchen Agriculture Co., Ltd.* (山西晉辰農業有限公司), Tianjin Jinshang Jiaming Financial Leasing Co., Ltd (deregistered)* (天津晉商嘉銘融資租賃有限公司) and Shanxi Dongsheng Financial Guarantee Co., Ltd.* (山西棟盛融資擔保有限公司)
“Designated Account”	a current account designated by the Provisional Liquidators
“Director(s)”	director(s) of the Company
“Disposals”	the SSCL Disposal, the transfer of the Excluded Subsidiaries to the ListCo Scheme and, if the Resumption is not approved by the Stock Exchange, the transfer of the Retained Subsidiaries to the Investor pursuant to the Acquisition SPA
“DUL”	Dynastic Union Limited, a company incorporated in the British Virgin Islands, the holder of the entire issued share capital of, among others, FSL, and an indirect wholly-owned subsidiary of the Company
“DUL Mortgaged Share”	one share in DUL, representing the entire issued share capital of DUL, which has been mortgaged to the LC Secured Lender pursuant to the Share Mortgage
“EGM”	extraordinary general meeting of the Company to be convened and held at 4:00 p.m. on Thursday, 17 June 2021 at Lecture Hall, 4/F, Duke of Windsor Social Service Building, Wanchai, Hong Kong for the Independent Shareholders to consider and, if thought fit, among others, approve all the resolutions of the Company necessary or appropriate in relation to the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals

---

## DEFINITIONS

---

“Encumbrance”	any mortgage, charge (whether fixed or floating), pledge, lien, right of forfeiture, hypothecation, assignment, security interest securing or conferring any right of priority of payment in respect of, any obligation of any person, any arrangement whereby any rights are subordinated to any rights of any third party, any contractual rights of set-off; and the interest of a vendor or lessor under any conditional sale agreement, lease, hire purchase agreement or other title retention arrangement other than an interest in a lease or hire purchase agreement which arose in the ordinary course of business
“Entity A”	Co-Lead Holdings Limited, a company which is primarily engaged in the trading of securities
“Estimated Taxation Liability”	HK\$7,087,607, being the estimated liability payable by FSL due to the Tax Disputes
“Excluded Subsidiaries”	the subsidiaries of the Company (other than the Retained Subsidiaries) to be transferred to the ListCo Schemes
“Executive”	the executive director of the Corporate Finance Division of the SFC or any of its delegates
“Facility Agreement”	the facility agreement dated 14 March 2017 entered into between Shiny Solar as the lender and the Company as the borrower in respect of a loan of US\$90,000,000, as amended from time to time
“FCFL(BVI)”	Freeman Corporate Finance Limited, a company incorporated in the British Virgin Islands and the holder of the entire issued share capital of FCFL(HK)
“FCFL(HK)”	Freeman Corporate Finance Limited, a company incorporated in Hong Kong which is licensed under the SFO to carry out type 6 regulated activities and an indirect wholly-owned subsidiary of the Company
“FCL”	Freeman Commodities Limited, a company incorporated in Hong Kong which is licensed under the SFO to carry out type 2 regulated activities and a direct wholly-owned subsidiary of FSL

---

## DEFINITIONS

---

“FFIC”	Freeman Financial Investment Corporation, a company incorporated in the Cayman Islands, the holder of the entire issued share capital of Freeman Corporation and a direct wholly-owned subsidiary of the Company
“FinTech”	financial technology, which refers to financial innovations driven by technological advancement in the forms of new business models, new financial services, and new software and applications that have a great impact on the provision of financial services and the development of the financial industry
“First Court Order”	the order dated 28 February 2020 made by the Court appointing the Provisional Liquidators with power to act jointly and severally
“First Loan”	a non-interest-bearing loan to be provided by the Investor to the Company in the amount of (a) HK\$161,174,982, being an amount equivalent to the LC Agreed Consideration; and (b) the Top-up Loan Amount (if any)
“First Loan Agreement”	the loan agreement entered into among the Company, the Investor and the Provisional Liquidators on 10 September 2020 in respect of the First Loan (as amended and supplemented by a supplemental deed dated 17 November 2020, a second supplemental deed dated 18 December 2020 and the Third Supplemental Deed)
“First Loan Conversion”	the conversion of the First Loan (including the Initial Deposit and the Top-up Loan Amount (if any)) into the First Loan Conversion Shares
“First Loan Conversion Price”	the conversion price for the First Loan Conversion Shares
“First Loan Conversion Shares”	Shares to be converted by the Investor under the First Loan Conversion in accordance with the First Loan Agreement
“FPWML”	Freeman Prestige Wealth Management Limited, a company incorporated in Hong Kong with an insurance broker license under the Hong Kong Insurance Authority to carry out long term business (including linked long term business) in Hong Kong, and an indirect wholly-owned subsidiary of the Company



---

## DEFINITIONS

---

“Freeman Corporation”	Freeman Corporation Limited, a company incorporated in the Cayman Islands, the holder of approximately 24% of the issued shares of AUL and an indirect wholly-owned subsidiary of the Company
“Freeman Corporation Mortgaged Shares”	760,849,120 shares in Freeman Corporation, representing the entire issued share capital of Freeman Corporation, which have been mortgaged to the LC Secured Lender pursuant to the Share Mortgage
“Freeman FullNode”	Freeman FullNode Limited, a company incorporated in Hong Kong, an indirect non-wholly owned subsidiary of the Company
“Freeman Technology”	Freeman Technology Limited, a company incorporated in the British Virgin Islands, the holder of 75% of the issued shares of Freeman FullNode, and a direct wholly-owned subsidiary of the Company
“FSL”	Freeman Securities Limited, a company incorporated in Hong Kong which is licensed under the SFO to carry out types 1, 4 and 9 regulated activities and an indirect wholly-owned subsidiary of the Company
“FTL”	Freeman Trustee Limited, a company incorporated in Hong Kong which is registered as a trust company under the Trustee Ordinance (Cap. 29 of the Laws of Hong Kong) and an indirect wholly-owned subsidiary of FPWML
“FU Securities”	FU Securities Limited, a company incorporated in the British Virgin Islands and the holder of the entire issued share capital of People
“FUIL”	Freeman United Investments Limited, a company incorporated in Hong Kong, the holder of approximately 76% of the issued shares of AUL, and the holder of the entire issued share capital of, among others, DUL, HFSL and FCFL (BVI)
“FUIL Mortgaged Share”	one share in FUIL, representing the entire issued share capital of FUIL, which has been mortgaged to the LC Secured Lender pursuant to the Share Mortgage

---

## DEFINITIONS

---

“Further Drawdown”	further drawdown of the Top-up Loan Amount by the Company in accordance with the First Loan Agreement
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“Group Reorganisation”	the transfer of the entire interests of the Excluded Subsidiaries which were directly or indirectly held by the Company to the ListCo Schemes SchemeCo at a nominal value, and proceeds from realisation of any assets of the Excluded Subsidiaries will be distributed for the benefit of the ListCo Schemes Creditors under the ListCo Schemes
“HFSL”	Harvest Financial Services Limited, a company incorporated in the British Virgin Islands and the holder of the entire issued share capital of FPWML
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKCC”	HKFE Clearing Company Limited
“HKEX”	Hong Kong Exchange and Clearing Limited
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HoldingCos Mortgaged Shares”	the Freeman Corporation Mortgaged Shares, the AUL Mortgaged Shares, the FUIL Mortgaged Share and the DUL Mortgaged Share
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Hong Kong ListCo Scheme”	the scheme of arrangement entered into between the Company and the ListCo Creditors, with, or subject to, any modification, addition or conditions approved or imposed by the Court
“Huarong Macau”	China Huarong Macau (HK) Investment Holdings Limited, a company incorporated under the laws of Hong Kong, who is one of the ListCo Creditors and a Shareholder, and its ultimate beneficial owner is China Huarong Asset Management Co., Ltd., the shares of which are listed on the Stock Exchange (stock code: 2799)

---

## DEFINITIONS

---

“Independent Financial Adviser” or “Veda Capital”	Veda Capital Limited, a corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity, being the independent financial adviser to advise the Independent Shareholders in respect of the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals
“Independent Shareholders”	Shareholders other than: (a) the Investor and parties acting in concert with it; and (b) those Shareholders who are interested or involved in, the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver or the Special Deals, including the ListCo Creditors (including the LC Secured Lender, the SSCL Secured Creditor and Huarong Macau) and their associates and parties acting in concert with any of them, namely Coastal Treasure
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (as defined under the Listing Rules)
“Initial Deposit”	HK\$50 million which the Investor has to pay to the Designated Account within four (4) weeks upon signing of the Term Sheet on 13 August 2020; and has been paid by the Investor to the Designated Account on 11 September 2020
“Initial Drawdown”	the drawdown of the First Loan (excluding the Top-up Loan Amount) by the Company in accordance with the terms of the First Loan Agreement
“Inland Revenue Department”	the Inland Revenue Department of Hong Kong
“Investor”	Radiant Alliance Limited, a 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
“Last Trading Day”	28 February 2020, being the last trading day immediately before the suspension of trading in the Shares
“Latest Practicable Date”	21 May 2021, being the latest practicable date prior to the printing of this circular for ascertaining information of this circular

---

## DEFINITIONS

---

“Laws”	any national, federal, state, local statute, law (including common law), ordinance, regulation, rule, code, injunction, judgment, decree, or order of any federal, national or local government, governmental, regulatory or administrative authority, agency or commission or any court, tribunal or judicial body of Hong Kong, the British Virgin Islands, the Cayman Islands or any other relevant jurisdiction, including but not limited to the First Court Order and the Second Court Order
“LC Agreed Consideration”	HK\$161,174,982, being the aggregate of (a) the Core Net Asset Value, being HK\$148,640,890; (b) a premium of HK\$10 million; and (c) 50% of the Management Compensation, being HK\$2,534,092
“LC Secured Lender”	Pure Virtue Enterprises Limited, a company incorporated under the laws of the British Virgin Islands and one of the Secured Creditors pursuant to (a) the Facility Agreement; (b) the Share Mortgage; and (c) the deed of assignment dated 30 December 2019 entered into between Shinny Solar and LC Secured Lender, whereby Shinny Solar had assigned absolutely to LC Secured Lender all of its rights, title, benefits, payment, entitlements, privileges and interests under or in respect of all transaction documents in relation to the debt portfolios under the Facility Agreement, and its ultimate beneficial owner is China Huarong Asset Management Co., Ltd., the shares of which are listed on the Stock Exchange (stock code: 2799)
“LC Shares”	the entirety of the issued shareholdings or capitals respectively of and in the Licensed Corporations
“LC Shares Discharge Documents”	all documents necessary or desirable to effect and secure a full and absolute release and discharge by the LC Secured Lender of the security interests it has over the HoldingCos Mortgaged Shares whether pursuant to the Facility Agreement or otherwise, such that upon Completion, the Investor shall, whether directly or indirectly (via the Company in the case of there being a successful and completed Restructuring), take up, hold and enjoy the LC Shares free from any Encumbrance

---

## DEFINITIONS

---

“Licensed Corporations”	FCL, FCFL(HK), FPWML, FSL and People, each of them being a corporation licensed under the SFO and/or the Insurance Ordinance (Cap. 41 of the Laws of Hong Kong)
“ListCo Account”	a current account designated by the Company
“ListCo Admitted Claims”	unsecured claims (other than a Preferential Claim) or secured claims against the Company only to the extent of the unsecured portion which is admitted in the ListCo Schemes by the Scheme Administrators or the Adjudicator in accordance with the terms of the ListCo Schemes
“ListCo Creditors”	all Unsecured Creditors and Secured Creditors
“ListCo Schemes”	the Cayman Islands ListCo Scheme and the Hong Kong ListCo Scheme
“ListCo Schemes Creditors”	all ListCo Creditors with ListCo Admitted Claims
“ListCo Schemes Effective Date”	the date on which the ListCo Schemes take effect in accordance with their terms which will be the date on which all of the conditions precedent to the ListCo Schemes set out in the Restructuring Deed are satisfied or otherwise waived
“ListCo Schemes SchemeCo”	a special purpose company incorporated in Hong Kong (or other jurisdiction agreed by the Company, the Provisional Liquidators and the Investor) to be held by the Provisional Liquidators for the purpose of holding the ListCo Admitted Claims pursuant to the ListCo Schemes
“ListCo Schemes SchemeCo Account”	a trust account in respect of the ListCo Schemes to be controlled by the Scheme Administrators
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreements”	the First Loan Agreement and the Second Loan Agreement
“Long Stop Date”	30 June 2021 or such other date as agreed to by the Investor and the Provisional Liquidators in writing

---

## DEFINITIONS

---

“Management Accounts”	the management accounts of the Licensed Corporations as at 31 July 2020
“Management Compensation”	the compensation amount of HK\$5,068,184.16 paid to the former executive Directors in connection with their resignations, which is a discounted sum of their entitlement to compensation under the terms of their respective service contracts
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers
“New Claims”	any outstanding liabilities (whether existing or contingent) owed by the Licensed Corporations to any other party which have not been reflected and referred to in the Management Accounts but excluding (only) outstanding liabilities arising out of the ordinary course of business of the Licensed Corporations after the date of the Management Accounts
“New Subscription Proceeds”	HK\$80 million
“People”	People Securities Company Limited, a company incorporated in Hong Kong which is licensed under the SFO to carry out types 1, 4 and 9 regulated activities, and with an insurance broker license under the Hong Kong Insurance Authority to carry out general and long term business (including linked long term business) in Hong Kong, and an indirect wholly-owned subsidiary of the Company
“Period”	the period between the date of the Management Accounts, being 31 July 2020, to the date falling on the first anniversary of the Resumption or such earlier date as agreed by the Company, the Provisional Liquidators and the Investor

---

## DEFINITIONS

---

“Petitioner”	Prosper Talent Limited, which filed a petition to the Court to wind up the Company on 10 May 2019, being one of the Secured Creditors which has share charges and share mortgages (as security for the secured guaranteed convertible note issued to it by the Company dated 24 October 2018) over, among others, (a) all the issued shares in Elfey International Trading Co., Limited, an indirect wholly-owned subsidiary of the Company; (b) at least 1,440,000 issued shares in Wins Finance Holdings Inc., an indirect non-wholly owned subsidiary of the Company; and (c) at least 900,000,000 issued Shares, representing approximately 5.7% of the entire issued share capital of the Company as at 31 October 2018, and its ultimate beneficial owner is Central Huijin Investment Ltd., a state-owned enterprise incorporated in the PRC
“Placing Down”	the proposed placing of Shares owned by the Investor to ensure that the minimum public float is maintained by the Company as required under the Listing Rules
“PRC”	the People’s Republic of China
“Preferential Claim”	any claim by a ListCo Creditor which payment would constitute a preferential payment in the winding-up of the Company pursuant to section 265 of Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong)
“Preferential Creditors”	creditors with a Preferential Claim
“Provisional Liquidators”	Lai Kar Yan (Derek) and Ho Kwok Leung Glen, both of Deloitte Touche Tohmatsu in their capacity as the joint and several provisional liquidators of the Company
“PTRM”	Pre-Trade Risk Management
“Relevant Period”	the period from 17 May 2020, being the date six months before the date of the Rule 3.5 Announcement, up to and including the Latest Practicable Date

---

## DEFINITIONS

---

“Restructuring”	the restructuring of the indebtedness of the Group which includes, 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 ListCo Schemes as provided in the Restructuring Deed
“Restructuring Deed”	the restructuring deed dated 10 September 2020 entered into among the Company, the Provisional Liquidators and the Investor (as amended and supplemented by a supplemental deed dated 17 November 2020, a second supplemental deed dated 18 December 2020 and the Third Supplemental Deed) detailing the terms and conditions in relation to the Restructuring
“Restructuring Documents”	the Restructuring Deed, the Loan Agreements, the Acquisition SPA, the Scheme Documents and such other documents as the Provisional Liquidators and the Investor may agree to designate as a Restructuring Document
“Resumption”	resumption of trading in the Shares on the Stock Exchange
“Resumption Guidance”	the resumption guidance for the Company issued by the Stock Exchange as set out in the announcements of the Company dated 19 March 2020 and 2 July 2020
“Resumption Proposal”	the proposal submitted to the Stock Exchange in relation to the Resumption
“Retained Group”	the Company together with the Retained Subsidiaries upon Resumption or completion of the First Loan Conversion and the Subscription
“Retained Subsidiaries”	the subsidiaries of the Company to be remained in the Group after the Resumption or completion of the First Loan Conversion and the Subscription, being the Licensed Corporations, FTL, the Turnbridge Companies, Freeman Technology, Freeman FullNode and any other investment holding companies incorporated solely for the purpose of holding any of the Retained Subsidiaries



---

## DEFINITIONS

---

“Retention Money”	a portion of the First Loan, being HK\$5 million to be held as retention money by the Provisional Liquidators in the Designated Account
“Rule 3.5 Announcement”	the announcement of the Company dated 17 November 2020 in relation to, among other things, (a) the Restructuring Deed in relation to the Restructuring of the Company; (b) application for the Whitewash Waiver; and (c) Special Deals
“Scheme Administrators”	the Provisional Liquidators in their capacity as scheme administrators of the ListCo Schemes
“Scheme Cash Consideration”	HK\$80 million, being equivalent to the amount of the New Subscription Proceeds, or such other amount allocated by the Provisional Liquidators and agreed with the Investor pursuant to the terms of the ListCo Schemes
“Scheme Documents”	all documents required in connection with the ListCo Schemes, including but not limited to documents submitted to the Courts and the Scheme document(s) despatched to the ListCo Creditors
“Scheme Meeting(s)”	the creditors’ meeting(s) convened by the orders of the Courts in relation to the ListCo Schemes
“Scheme Shares”	the number of Shares which represents approximately 10% of the enlarged issued share capital of the Company upon Completion, to be allotted and issued by the Company to the ListCo Schemes SchemeCo or the Scheme Administrators for the benefit of the ListCo Schemes Creditors
“Second Court Order”	the order dated 26 March 2020 made by the Court extending the powers of the Provisional Liquidators under the First Court Order
“Second Loan”	interest-free and unsecured loans of up to HK\$40 million in aggregate provided and to be provided by the Investor to the Company
“Second Loan Agreement”	the loan agreement entered into among the Company, the Provisional Liquidators and the Investor on 10 September 2020 in respect of the Second Loan (as amended and supplemented by a supplemental deed dated 17 November 2020)

---

## DEFINITIONS

---

“Second Loan Conversion”	the conversion of the Second Loan into the Second Loan Conversion Shares
“Second Loan Conversion Price”	the conversion price for the Second Loan Conversion Shares
“Second Loan Conversion Shares”	Shares to be converted by the Investor under the Second Loan Conversion in accordance with the Second Loan Agreement
“Second Loan Expended Portion”	the portion of the proceeds of the Second Loan advanced by the Investor that has been expended by the Provisional Liquidators and/or the Company in implementing the ListCo Schemes and/or for the purpose of the Restructuring
“Second Supplemental Agreement”	a second supplemental agreement dated 21 May 2021 amending and supplementing the Acquisition SPA
“Secured Creditors”	the secured creditors of the Company, including but not limited to the LC Secured Lender, the SSCL Secured Creditor and the Petitioner
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Charge Agreement”	the share charge agreement over the SSCL Interest dated 25 August 2017 entered into between FSL and the SSCL Secured Creditor
“Share Mortgage”	the security agreement over the HoldingCos Mortgaged Shares dated 14 March 2017 entered into by, among others, FFIC, Freeman Corporation, AUL and FUIL in favour of Shiny Solar
“Share Option Scheme”	the share option scheme of the Company adopted by resolution of the Shareholders on 31 August 2012, of which all options granted thereunder have lapsed on 15 January 2021

---

## DEFINITIONS

---

“Share Premium Cancellation”	the cancellation of the entire amount standing to the credit of the share premium account of the Company of approximately HK\$2.78 billion in a manner as permitted by the Companies Law and other applicable Laws
“Shinny Solar”	Shinny Solar Limited, a company incorporated in the British Virgin Islands, the lender under the Facility Agreement and the original mortgagor under the Share Mortgage, and its ultimate beneficial owner is China Huarong Asset Management Co., Ltd., the shares of which are listed on the Stock Exchange (stock code: 2799)
“Special Deal I”	the proposed partial settlement of the indebtedness due to the LC Secured Lender, which constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code
“Special Deal II”	the proposed partial settlement of the indebtedness due to the SSCL Secured Creditor and the LC Secured Lender, which constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code
“Special Deal III”	the proposed settlement of the indebtedness due to each of the LC Secured Lender, the SSCL Secured Creditor and Huarong Macau under the ListCo Schemes, which constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code
“Special Deals”	together, Special Deal I, Special Deal II and Special Deal III, and where the context requires, can mean either one of them
“Specific Mandate”	the specific mandate for the allotment and issue of (a) the First Loan Conversion Shares; (b) the Subscription Shares; (c) the Scheme Shares; and (d) the Second Loan Conversion Shares (if any), which is subject to approval by the Independent Shareholders at the EGM
“SSCL”	Shengang Securities Company Limited, a joint stock company established in the PRC with limited liability, approximately 12.17% shareholding interest of which is held by FSL
“SSCL Disposal”	the disposal of the SSCL Interest by FSL

---

## DEFINITIONS

---

“SSCL Disposal Completion”	completion of the SSCL Disposal in accordance with the SSCL Disposal Term Sheet and the SSCL Disposal Definitive Transaction Documents (where applicable)
“SSCL Disposal Conditions Precedent”	the conditions for SSCL Disposal Completion as set forth in the SSCL Disposal Term Sheet and/or the SSCL Disposal Definitive Transaction Documents
“SSCL Disposal Consideration”	the consideration for the SSCL Disposal, being RMB600,000,000
“SSCL Disposal Definitive Transaction Documents”	the formal agreement for the sale and purchase of the SSCL Interest and other relevant transaction documents, if executed by the parties to the SSCL Disposal Term Sheet
“SSCL Disposal Escrow Account”	the account maintained in accordance with the terms of the SSCL Disposal Escrow Agreement
“SSCL Disposal Escrow Agreement”	the escrow agreement dated 9 February 2021 entered into by the SSCL Purchaser, FSL, the SSCL Secured Creditor and the Hong Kong branch of Shanghai Pudong Development Bank Co., Ltd.
“SSCL Disposal Escrow Fund”	the full amount of the SSCL Disposal Consideration (inclusive of the SSCL Disposal Initial Deposit, which shall constitute as part of the SSCL Disposal Consideration at the SSCL Disposal Completion) in equivalent Hong Kong dollars (unless FSL and the SSCL Purchaser agreed otherwise), less the amount of any tax payable in the PRC for the SSCL Disposal (if any)
“SSCL Disposal Initial Deposit”	the deposit of RMB90,000,000 paid by the SSCL Purchaser to the Provisional Liquidators on 20 May 2020 for the SSCL Disposal
“SSCL Disposal Long Stop Date”	31 December 2021 or such later date as agreed by the parties to the SSCL Disposal Term Sheet in writing
“SSCL Disposal Term Sheet”	the legally binding term sheet dated 10 November 2020 entered into among FSL, the Provisional Liquidators, the SSCL Purchaser and the SSCL Secured Creditor (as amended and supplemented by a supplemental term sheet dated 9 February 2021) in relation to the SSCL Disposal

---

## DEFINITIONS

---

“SSCL Documents”	the SSCL Disposal Term Sheet and the SSCL Disposal Definitive Transaction Documents
“SSCL Interest”	525,000,000 issued shares in SSCL, representing approximately 12.17% shareholding interest in SSCL currently held by FSL
“SSCL Purchaser”	Jiangsu Shagang Group Company Limited* (江蘇沙鋼集團有限公司), a company established under the laws of the PRC with limited liability
“SSCL Secured Creditor”	Cheery Plus Limited, a company incorporated in the British Virgin Islands with limited liability and its ultimate beneficial owner is China Huarong Asset Management Co., Ltd., the shares of which are listed on the Stock Exchange (stock code: 2799)
“SSCL Secured Obligations”	all moneys, liabilities and obligations at any time due, owing or payable to the SSCL Secured Creditor by the Company under or pursuant to the Convertible Bonds, the relevant transaction documents or any of them, whether present or future, actual or contingent (and whether incurred solely or jointly and whether as principal or surety or in some other capacity)
“SSCL Share Transfer Agreement”	the share transfer agreement dated 9 February 2021 entered into among FSL, the Provisional Liquidators and the SSCL Purchaser in relation to the transfer of the SSCL Interest
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	subscription for new Shares after the Share Premium Cancellation becoming effective
“Subscription Price”	the subscription price for the Subscription Shares
“Subscription Shares”	Shares to be subscribed by the Investor under the Subscription
“Supervisory Committee”	the supervisory committee to be set up in accordance with the terms of the Restructuring Deed
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC

---

## DEFINITIONS

---

“Tax Disputes”	the disputes between FSL and the Inland Revenue Department regarding (a) gain from disposal of the stock of a company for the year of assessment 2015/16; and (b) the management fee paid to a company for the years of assessment 2014/2015 and 2015/2016
“Tax Disputes Determination”	the final and non-appealable determination issued by the Inland Revenue Department regarding the Tax Disputes, which is expected to be issued by June 2021
“Term Sheet”	the term sheet dated 13 August 2020 entered into among the Investor, the Company and the Provisional Liquidators setting out the key commercial terms of the Restructuring
“Third Supplemental Deed”	a third supplemental deed dated 21 May 2021 amending and supplementing the Restructuring Deed and the First Loan Agreement
“Top-up Loan Amount”	an amount that the Investor shall top up to the First Loan, which is equivalent to the difference between the Estimated Taxation Liability and the Actual Taxation Liability, if, pursuant to the Tax Disputes Determination, the Actual Taxation Liability is less than the Estimated Taxation Liability
“Turnbridge Companies”	Turnbridge Holdings Limited, Turnbridge Investment Services Limited, Turnbridge Nominee Services Limited, Turnbridge Financial Investment Ltd and Turnbridge Insurance Services Ltd and each of them is a special purpose vehicle with no business operation incorporated by the Company for the sole purpose of holding the shares in FTL upon Completion
“Unsecured Creditors”	all unsecured creditors (other than the Preferential Creditors) of the Company
“US\$”	United States dollars, the lawful currency of the United States
“Whitewash Waiver”	a waiver of the obligation of the Investor to make a mandatory general offer for all the Shares not already owned or agreed to be issued and allotted to the Investor or parties acting in concert with it as a result of the First Loan Conversion and the Subscription pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code

\* *For identification purposes only*

---

# LETTER FROM THE PROVISIONAL LIQUIDATORS

---



## **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)**

*Provisional Liquidators:*

Mr. Lai Kar Yan (Derek)  
Mr. Ho Kwok Leung Glen

*Executive Directors:*

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

*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Head Office and Principal Place of  
Business in Hong Kong:*

13/F, Fortis Tower  
77-79 Gloucester Road  
Wanchai  
Hong Kong

26 May 2021

*To the Shareholders*

Dear Sir or Madam,

### **INTRODUCTION**

References are made to the Rule 3.5 Announcement and the announcements of the Company dated 14 May 2019, 28 February 2020, 19 March 2020, 6 April 2020, 27 May 2020, 2 July 2020, 13 August 2020, 27 August 2020, 27 November 2020, 30 November 2020, 8 December 2020, 30 December 2020, 22 January 2021, 5 February 2021, 10 February 2021, 28 February 2021, 31 March 2021 and 21 May 2021 in relation to, among other things, (a) the Restructuring Deed in relation to the Restructuring of the Company; (b) application for the Whitewash Waiver; and (c) Special Deals.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

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.

The purpose of this circular is, among other things, to provide you with further details of (a) the Restructuring Deed; (b) the Specific Mandate; (c) the Whitewash Waiver; (d) the Special Deals; (e) the letter from the Independent Financial Adviser to the Independent Shareholders; (f) a notice of the EGM; and (g) other information as required under the Listing Rules and the Takeovers Code.

### **BACKGROUND OF THE RESTRUCTURING**

The background information of the circumstances leading to the entering into of the Restructuring Deed are detailed below:

#### **Winding-up Petition and Appointment of the Provisional Liquidators**

On 10 May 2019, a winding-up petition was filed against the Company by the Petitioner for failure to settle the alleged outstanding sum of US\$111,629,994 under the Company's notes and convertible notes issued to the Petitioner. On 28 February 2020, the Provisional Liquidators were appointed as the provisional liquidators of the Company pursuant to the First Court Order with powers to act jointly and severally, and such powers were extended by virtue of the Second Court Order for, among others, implementing the restructuring of the Company. Trading in the Shares on the Stock Exchange has been suspended since 28 February 2020.

#### **Indebtedness of the Company**

As at 31 March 2021, based on the available books and records of the Company, the estimated total amount of claims against, and the liabilities of, the Company is approximately HK\$4.21 billion. In particular, the Secured Creditors, including the LC Secured Lender and the SSCL Secured Creditor, have secured interests in the shares of certain members of the Group and investment of the Group.

#### **Secured Interest of the LC Secured Lender**

On 14 March 2017, (a) the Company as borrower and Shinny Solar as lender entered into the Facility Agreement, pursuant to which Shinny Solar agreed to make available to the Company a loan of US\$90,000,000; and (b) certain direct and indirect wholly-owned subsidiaries of the Company, including FFIC, Freeman Corporation, AUL and FUIL, entered into the Share Mortgage in favour of Shinny Solar, pursuant to which, among others, the HoldingCos Mortgaged Shares were mortgaged by FFIC, Freeman Corporation, AUL and FUIL in favour of Shinny Solar as continuing security for the payment and discharge of the Company's obligations and liabilities under the Facility Agreement. The Facility Agreement was entered into between the Company and Shinny Solar owing to the financial needs of the Company. The loan advanced by Shinny Solar to the Company under the Facility Agreement were utilised as additional capital of FSL.



---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

Pursuant to a notice of assignment dated 16 March 2020 issued to the Company by Shinny Solar as assignor and LC Secured Lender as assignee, Shinny Solar assigned absolutely to the LC Secured Lender on 30 December 2019 all of its rights, title, benefits, payment, entitlements, privileges and interests under or in respect of all transaction documents in relation to the debt portfolios under the Facility Agreement, including, among others, the Share Mortgage. As a result, the LC Secured Lender has a secured interest in the HoldingCos Mortgaged Shares.

As at 31 March 2021, the outstanding principal and the outstanding interest owed to the LC Secured Lender by the Company under the Facility Agreement amounted to US\$90 million and approximately HK\$310 million, respectively.

### **Secured Interest of the SSCL Secured Creditor**

References are made to the announcements of the Company dated 24 August 2017, 28 September 2018 and 9 November 2018 in relation to the issue of secured convertible bonds to the SSCL Secured Creditor.

On 24 August 2017, the Company entered into a subscription agreement with the SSCL Secured Creditor, pursuant to which the Company agreed to issue, and the SSCL Secured Creditor agreed to subscribe for, the Convertible Bonds.

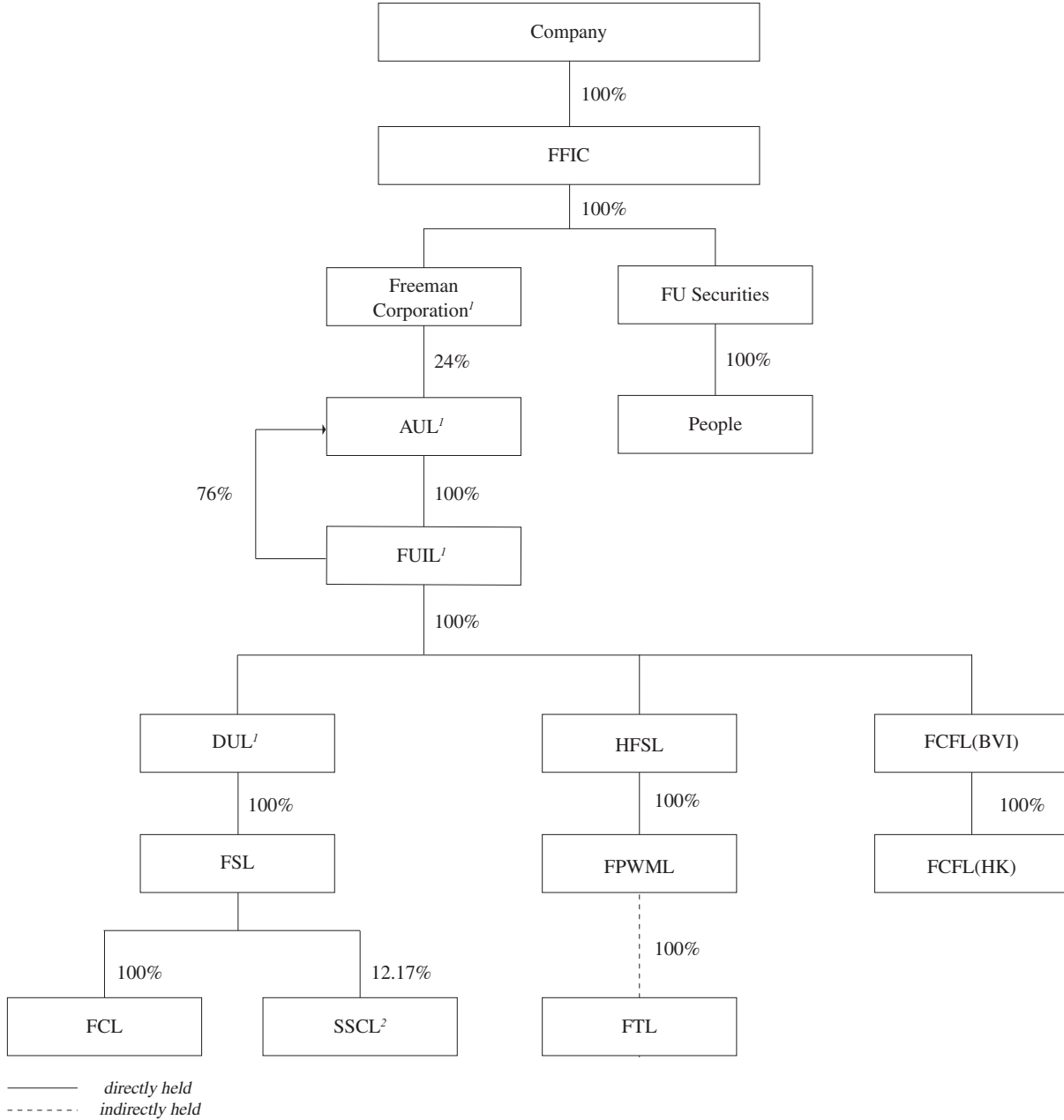
On 25 August 2017, FSL (an indirect wholly-owned subsidiary of the Company) and the SSCL Secured Creditor entered into the Share Charge Agreement, pursuant to which FSL charged the SSCL Interest to the SSCL Secured Creditor as security for the SSCL Secured Obligations. As a result, the SSCL Secured Creditor has a secured interest in the SSCL Interest.

As at the Latest Practicable Date, the conversion period of the Convertible Bonds has lapsed.

As at 31 March 2021, the outstanding principal and the outstanding interest owed to the SSCL Secured Creditor by the Company under the Convertible Bonds amounted to approximately HK\$429 million and approximately HK\$176 million, respectively.

# LETTER FROM THE PROVISIONAL LIQUIDATORS

For illustrative purpose only, the diagram below demonstrates the security interests of the LC Secured Lender and the SSCL Secured Creditor in the shares of certain members of the Group and investment of the Group:



*Notes:*

1. The HoldingCos Mortgaged Shares, being all the shares of Freeman Corporation, AUL, FUIL and DUL, have been mortgaged to the LC Secured Lender.
2. The SSCL Interest, being approximately 12.17% shareholding interest in SSCL currently held by FSL, has been charged to the SSCL Secured Creditor.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

### Restrictions Imposed on FSL and FCL by the HKEX and the SFC

FSL and FCL are the major operating subsidiaries of the Group. FSL, a corporation licensed under the SFO to carry out types 1, 4, 9 regulated activities, is principally engaged in the provision of securities brokerage, placing, and margin financing. FCL, a corporation licensed under the SFO to carry out type 2 regulated activities, is principally engaged in the provision of futures brokerage.

The HKEX and the SFC respectively imposed various restrictions on the business operations of FSL and FCL due to, among others, (a) fluctuation in the Company's share price and its trading volume in May 2018; (b) a winding-up petition filed against the Company by the Petitioner in May 2019; and (c) appointment of the Provisional Liquidators in February 2020. Details of the restrictions are set out in the table below:

<b>Restrictions</b>	<b>Status as at the Latest Practicable Date</b>	<b>Expected date of uplifting</b>
<p><i>In relation to proprietary trading</i></p> <p>On 4 March 2020, FSL and FCL provided a voluntary undertaking to the Stock Exchange that they shall not engage in proprietary trading</p>	In effect	Around July 2021 following the dismissal of the winding-up petition against the Company
<p><i>In relation to financial position</i></p> <p>On 28 May 2019, FSL and FCL provided a voluntary undertaking to the SFC that they shall maintain an excess liquid capital of not less than the companies' respective total annual expenses (excluding provision for bad debts) and cash reserve of not less than six times the companies' respective average monthly expenses (excluding provision for bad debts)</p>	In effect	Around July 2021 following the dismissal of the winding-up petition against the Company
<p><i>In relation to client onboarding</i></p> <p>On 12 March 2020, FSL and FCL provided a voluntary undertaking to the SFC that they shall not onboard any new clients or open new trading account for existing clients;</p>	Uplifted on 2 December 2020	N/A

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

<b>Restrictions</b>	<b>Status as at the Latest Practicable Date</b>	<b>Expected date of uplifting</b>
<p><i>In relation to upfront cash collateral</i></p> <p>On 19 June 2018 and 4 March 2020, FSL was required to make an upfront cash collateral of HK\$20.9 million and HK\$10 million to HKSCC, respectively</p> <p>On 4 March 2020, FCL was required to provide an upfront cash collateral of HK\$20 million to HKCC</p> <p>On 10 March 2020, FCL was required to deposit client money of HK\$20 million to HKCC, respectively. Such client money could be withdrawn with one day prior notice. It was agreed that such withdrawal should be kept minimal, and FCL should have set aside sufficient cash for their daily operations and money withdrawal requests from clients</p>	<p>In effect</p> <p>Partially relaxed. As at the Latest Practicable Date, FCL deposited client money of HK\$10 million to HKCC</p>	<p>In June 2021 following the EGM, upon (i) an order made by the Court for varying of the First Court Order to exclude the Provisional Liquidators' powers over FSL and FCL; and (ii) the discharge and release of the Share Mortgage</p>
<p><i>In relation to client trading</i></p> <p>On 28 May 2019, FSL and FCL provided a voluntary undertaking to the SFC that they shall promptly collect all outstanding margin calls from their clients</p> <p>On 28 May 2019, FSL provided a voluntary undertaking to the SFC that it shall not re-pledge any securities collateral provided by non-borrowing margin clients to secure any bank borrowing</p> <p>On 28 May 2019, FSL provided a voluntary undertaking to the SFC that it shall not grant any credit to non-margin clients in securities dealing after expiry of the settlement date of securities transaction conducted for such clients</p>	<p>In effect</p> <p>In effect</p> <p>In effect</p>	<p>Around July 2021 following the dismissal of the winding-up petition against the Company</p>

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

Restrictions	Status as at the Latest Practicable Date	Expected date of uplifting
On 28 May 2019, FCL's gross and net capital-based position limit was restricted to 50% of the levels calculated pursuant to Chapter 5 of the HKCC procedures against the respective gross and net margin liabilities of the company on each business day by HKCC	In effect	Until further notice from the HKEX
On 6 March 2020, FCL's write access to the PTRM system was disabled, and its read access was limited to real-time monitoring and mass cancel function only	In effect	In June 2021 following the EGM, upon (i) an order made by the Court for varying of the First Court Order to exclude the Provisional Liquidators' powers over FSL and FCL; and (ii) the discharge and release of the Share Mortgage
On 6 March 2020, the order size limit of certain contracts executed by FCL was reduced to a lower level	In effect	
On 6 March 2020, the order coefficient of FCL's PTRM system was set to 100%	In effect	
On 6 March 2020, the PTRM gross limit was reduced from HK\$4.8 billion to HK\$3 billion, and was further reduced to HK\$1.5 billion on 17 March 2020	In effect	
On 6 March 2020, the PTRM net limit (the "Net Limit") was reduced from HK\$170 million to HK\$60 million at a 1:1 ratio of the then upfront cash collateral provided to the Net Limit. The Net Limit was further tightened to HK\$20 million on 17 March 2020, which represents a 2:1 ratio of the then upfront cash collateral provided to the Net Limit	Partially relaxed. The Net Limit was relaxed to a 1:1 ratio with respect to the upfront cash collateral on 13 November 2020, and was further relaxed to a 1:2 ratio on 2 December 2020 upon the uplifting of client onboarding restriction by the SFC	

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

Restrictions	Status as at the Latest Practicable Date	Expected date of uplifting
<i>In relation to settlement and clearing operations</i>		
On 10 December 2018, a revised margin multiplier of 1 was applied to the margin requirement calculation of FSL by HKSCC	In effect	Until further notice from the HKEX
On 28 May 2019, FCL's HKCC Participant Additional Deposits Credit was set to HK\$500,000 (instead of HK\$1,000,000 in general)	In effect	Until further notice from the HKEX
On 5 March 2020, FSL was required to settle any net long or net short continuous net settlement positions which are greater than HK\$10 million on each trading day before 17:00 (instead of settlement on T+2 day in general)	In effect	Until further notice from the HKEX

With the abovementioned remaining restrictions imposed, FSL and FCL (a) are both unable to sustain the previous level of trading volume and hence revenue and (b) face practical difficulties and challenges in maintaining a sufficient level of operations.

In light of the above, the Provisional Liquidators and the Company proposed to the HKEX and the SFC that the remaining restrictions be uplifted and/or relaxed after, among others, the release of the mortgage on the HoldingCos Mortgaged Shares by the LC Secured Lender or the granting of the consent by the LC Secured Lender to the transfer/disposal of the shares of the Retained Subsidiaries by the respective immediate holding companies of the Retained Subsidiaries to the effect that none of the Retained Subsidiaries shall be held by any company (whether directly or indirectly) the shares of which (a) have been mortgaged to the LC Secured Lender or (b) are subject to any form of encumbrances whether created under or resulting from the Facility Agreement and/or the Share Mortgage.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

### **Lifting encumbrances over the HoldingCos Mortgaged Shares and/or the shares of the Retained Subsidiaries**

To facilitate the uplifting and/or relaxation of the restrictions imposed by the HKEX and the SFC on FSL and FCL, the Provisional Liquidators have been negotiating with the LC Secured Lender for lifting encumbrances over the HoldingCos Mortgaged Shares and/or the shares of the Retained Subsidiaries.

The Provisional Liquidators have proposed to the LC Secured Lender that, upon receipt of the LC Agreed Consideration, being HK\$161,174,982 (less the Retention Money, which shall be stakeheld by the Provisional Liquidators for the settlement of the New Claims, if any) by the LC Secured Lender, the LC Shares Discharge Documents be executed by the LC Secured Lender for (a) the release of the mortgage on the HoldingCos Mortgaged Shares; or (b) granting the consent to the transfer/disposal of the shares of the Retained Subsidiaries by the respective immediate holding companies of the Retained Subsidiaries to the effect 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) subject to any form of encumbrances whether created under or resulting from the Facility Agreement and/or the Share Mortgage.

On 15 December 2020, the LC Secured Lender executed a letter of undertaking confirming and undertaking to grant the consent for transferring and/or disposing of the shares of the Retained Subsidiaries upon receiving the LC Agreed Consideration (less the Retention Money).

The LC Agreed Consideration in the amount of HK\$161,174,982, which comprises the Core Net Asset Value of HK\$148,640,890; a premium of HK\$10 million; and HK\$2,534,092, being 50% of the Management Compensation, was proposed by the Provisional Liquidators to the LC Secured Lender having taking into account, among others, (a) the Tax Disputes; (b) the SSCL Disposal; and (c) the assignment of certain assets of the Licensed Corporations excluded from the calculation of the Core Net Asset Value. The Company is of the view that the LC Agreed Consideration is fair and reasonable and in the interests of the Company and its shareholders as a whole, having considered (a) the Core Net Asset Value represents the net asset value of the Licensed Corporations which was adjusted to reflect certain excluded assets and liabilities of the Licensed Corporations; (b) the amount of indebtedness due to the LC Secured Lender; (c) that such indebtedness has been overdue for an extensive period of time; and (d) that the Management Compensation was incurred due to cost-cutting measures implemented by the Provisional Liquidators.

### ***The Tax Disputes***

FSL is currently in dispute with the Inland Revenue Department regarding (a) whether gain from disposal of the stock of a company should be excluded from the charge to profits tax for the year of assessment 2015/16; and (b) whether adjustment on the management fee paid to a company should be made for the years of assessment 2014/15 and 2015/16. The Company estimated that, in the event the Inland Revenue Department disagrees with the response of FSL regarding such Tax Disputes, the Estimated Taxation Liability payable by FSL amounts to HK\$7,087,607, representing the maximum liability payable by FSL calculated based on the maximum value of the relevant parameters.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

The Provisional Liquidators have proposed to the LC Secured Lender that: (a) the Estimated Taxation Liability be excluded from the calculation of the LC Agreed Consideration; and (b) in the event that pursuant to the Tax Disputes Determination to be issued by the Inland Revenue Department, the Actual Taxation Liability payable by FSL is less than the Estimated Taxation Liability, the LC Secured Lender be entitled to receive an amount equivalent to the difference between the Estimated Taxation Liability and the Actual Taxation Liability as repayment of the Company's outstanding liability under the Facility Agreement.

As at the Latest Practicable Date, the Inland Revenue Department has not issued the Tax Disputes Determination regarding the Tax Disputes. It is expected that the Tax Disputes Determination will be issued by June 2021.

### *The SSCL Disposal*

On 9 February 2021, 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.

The principal terms of the SSCL Share Transfer Agreement are as follows:

- Subject matter** : The SSCL Interest, representing approximately 12.17% of the share capital of SSCL, free from any encumbrances.
- SSCL Disposal Consideration** : RMB600,000,000, being the tender price submitted by the SSCL Purchaser during the tender process initiated by the Provisional Liquidators in March 2020 to identify potential purchasers for the SSCL Interest. Having considered that (a) the amount of the SSCL Disposal Consideration will be sufficient to fully settle the outstanding liabilities due to the SSCL Secured Creditor up to 31 March 2021 and partially settle the outstanding liabilities due to the LC Secured Lender up to 31 March 2021; and (b) the background of the SSCL Purchaser, the Company is of the view that the SSCL Disposal Consideration is fair and reasonable and in the interests of the Company and its shareholders as a whole.
- Payment of the SSCL Disposal Consideration** : The Provisional Liquidators shall transfer the SSCL Disposal Initial Deposit to an account designated by the SSCL Purchaser in accordance with the terms of the SSCL Share Transfer Agreement.



---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

The SSCL Purchaser shall deposit the SSCL Disposal Escrow Fund to the SSCL Disposal Escrow Account in accordance with the terms of the SSCL Share Transfer Agreement (the “**Deposit of Escrow Fund**”).

No later than seven (7) days before the Deposit of Escrow Fund, FSL and the SSCL Purchaser shall transfer HK\$100,000 and HK\$50,000 to an account designated by the Escrow Agent, respectively, for the settlement of the fees payable to the Escrow Agent under the SSCL Disposal Escrow Agreement (the “**Escrow Agent Fees**”).

FSL shall execute a charge over the SSCL Disposal Escrow Account and all sums which from time to time may be deposited in or otherwise credited to the SSCL Disposal Escrow Account (the “**Charged Sums**”) in favour of the SSCL Secured Creditor as security for the SSCL Secured Obligations. The SSCL Disposal Escrow Fund shall only form part of the Charged Sums upon the SSCL Disposal Completion, and the SSCL Secured Creditor shall have no claim and no right whatsoever over the SSCL Disposal Escrow Fund prior to the SSCL Disposal Completion.

- Conditions Precedent of the Deposit of Escrow Fund** : The Deposit of Escrow Fund shall be conditional upon the following conditions precedent being fulfilled and/or waived (where applicable) (the “**Conditions of Deposit**”):
- (a) the SSCL Share Transfer Agreement, the SSCL Disposal Escrow Agreement and other related ancillary documents (if any) having been entered into;
  - (b) the Provisional Liquidators and FSL having obtained all necessary approvals (including the approvals of the Court) in relation to the SSCL Disposal and the opening of the SSCL Disposal Escrow Account;

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

- (c) the Provisional Liquidators having obtained all necessary approvals of the Shareholders at the EGM in relation to the SSCL Disposal;
- (d) the SSCL Disposal having complied with the relevant laws, regulations and regulatory rules in the PRC, including but not limited to the SSCL Purchaser possessing the qualifications to be a substantial shareholder of a securities company and such qualifications having passed the review of China Securities Regulatory Commission;
- (e) all necessary government approvals, registration and filing procedures (if applicable) incidental to the SSCL Disposal, including but not limited to the approval of China Securities Regulatory Commission, having been obtained or completed;
- (f) all third party consents and approvals (if applicable) relating to the SSCL Disposal having been obtained;
- (g) FSL having full ownership of the SSCL Interest free from any encumbrances except for the security interest of the SSCL Secured Creditor over the SSCL Interest;
- (h) the SSCL Purchaser having obtained the approval(s) from the relevant foreign exchange regulatory authorities and/or banks for remitting the SSCL Disposal Escrow Fund to the SSCL Disposal Escrow Account;
- (i) there are no laws, regulations, court judgments, rulings, decisions or prohibitions from relevant government authorities that restrict, prohibit or cancel the SSCL Disposal, and there is no pending or potential litigation, arbitration, judgment, ruling, decision or injunction against any of the SSCL Purchaser, FSL or SSCL that is detrimental to the SSCL Disposal;

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

- (j) the representations and warranties respectively given by the parties to the SSCL Share Transfer Agreement remaining true, accurate and complete in all respects and not having been breached, and all conditions and obligations which shall be fulfilled prior to the Deposit of SSCL Disposal Escrow Fund having been fulfilled; and
- (k) there has been no material adverse change in the business, the financial condition or the position, prospects, assets or liabilities, the relevant industry or legal environment of the business of SSCL from the date of the execution of the SSCL Share Transfer Agreement up to the date of the Deposit of Escrow Fund.

As at the Latest Practicable Date, conditions (a) and (b) above have been fulfilled.

**Conditions Precedent of the share transfer** : The completion of procedures relating to the transfer of the SSCL Interest by FSL shall be conditional upon the following conditions precedent being fulfilled and/or waived (where applicable) (the “**Conditions of Transfer**”):

- (a) the Conditions of Deposit
- (b) the SSCL Purchaser having deposited the SSCL Disposal Escrow Fund into the SSCL Disposal Escrow Account in accordance with the terms of the SSCL Share Transfer Agreement; and
- (c) all internal approvals of SSCL relating to the SSCL Disposal (including any necessary preparatory steps in respect of the change of the shareholder register of SSCL) having been obtained.

As at the Latest Practicable Date, none of the conditions above has been fulfilled.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

- Conditions Precedent of the release of the SSCL Disposal Escrow Fund** : The release of the SSCL Disposal Escrow Fund from the SSCL Disposal Escrow Account by the Escrow Agent shall be conditional upon the following conditions precedent being fulfilled and/or waived (where applicable) (the “**Conditions of Release**”):
- (a) the registration procedures for the cancellation of the charge over the SSCL Interest having been completed;
  - (b) the document effecting the release of the charge over the SSCL Interest issued by the relevant government authorities having been obtained and delivered to the SSCL Purchaser’s lawyer by FSL and the SSCL Secured Creditor;
  - (c) the share certificate evidencing FSL’s title to the SSCL Interest having been delivered to SSCL for cancellation and the proof of such cancellation having been delivered to the SSCL Purchaser’s lawyer by FSL; and
  - (d) the SSCL Purchaser having been registered as a shareholder of SSCL on the shareholder register of SSCL and the shareholder register of SSCL having been delivered to the SSCL Purchaser’s lawyer by SSCL.

As at the Latest Practicable Date, none of the conditions above has been fulfilled.

- Completion of the SSCL Disposal** : SSCL Disposal Completion shall take place upon the Conditions of Deposit, the Conditions of Transfer and the Conditions of Release being fulfilled and/or waived (where applicable) or on such date as agreed by the parties to the SSCL Share Transfer Agreement.

Upon (a) the fulfillment of the Conditions of Release and (b) the delivery of a repayment notice in an agreed form by FSL, the SSCL Purchaser and the SSCL Secured Creditor to the Escrow Agent, the SSCL Disposal Escrow Fund shall be released by the Escrow Agent in the manner and priorities provided under the SSCL Disposal Escrow Agreement as follows:

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

- (a) HK\$100,000, being an amount equivalent to the Escrow Agent Fees paid by FSL to the Escrow Agent, shall be released and transferred to an account designated by FSL;
- (b) an amount equivalent to the expenses incurred by FSL for the SSCL Disposal, including the fees payable to professional parties engaged by FSL, shall be released and transferred to the accounts designated by FSL;
- (c) an amount equivalent to the amount of repayment obligations due, owing or payable to the SSCL Secured Creditor by FSL as determined by the SSCL Secured Creditor and the Provisional Liquidators in writing shall be released and transferred to an account designated by the SSCL Secured Creditor; and
- (d) the remainder of the SSCL Disposal Escrow Fund shall be released and transferred to an account designated by FSL.

**Right to nominate a director** : With effect from the SSCL Disposal Completion, subject to the internal approval procedures of SSCL, the SSCL Purchaser shall have the right to nominate a director of SSCL.

**Fees and expenses** : Each party to the SSCL Share Transfer Agreement shall bear the fees and expenses (including taxes) incurred respectively in relation to the transactions contemplated under the SSCL Share Transfer Agreement.

However, if SSCL Disposal Completion does not take place due to the default of FSL, FSL shall bear any losses arising from tax payment and refund to the SSCL Purchaser any tax already paid by the SSCL Purchaser in the event that such tax payment has not been refunded by the relevant government authorities within six (6) months from the date of termination of the SSCL Share Transfer Agreement. If SSCL Disposal Completion does not take place due to the default of the SSCL Purchaser, the SSCL Purchaser shall bear any losses arising from tax payment.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

**Breach of the SSCL Share Transfer Agreement** : If any party to the SSCL Share Transfer Agreement fails to comply with its obligations or undertakings, or has given any representations or warranties which were untrue, inaccurate, incomplete or misleading or had material omission, the relevant party would be in breach of the SSCL Share Transfer Agreement, and shall pay damages to the non-breaching party for any economic loss directly resulting from such breach.

If the SSCL Disposal Conditions Precedent are not fulfilled due to the default of the SSCL Purchaser,

- (a) the SSCL Purchaser shall pay damages to FSL in accordance with the terms of the SSCL Share Transfer Agreement;
- (b) FSL and the Provisional Liquidators shall be entitled to deduct damages from the SSCL Disposal Initial Deposit and the interests accrued thereon in accordance with the terms of the SSCL Share Transfer Agreement and the SSCL Disposal Escrow Agreement;
- (c) the remaining SSCL Disposal Escrow Fund, if any, shall be refunded to the SSCL Purchaser upon the receipt by the Escrow Agent of a refund notice in an agreed form executed by FSL and the SSCL Purchaser (the “**Refund Notice**”); and
- (d) in the event that the amount of damages payable by the SSCL Purchaser exceeds the amount of the SSCL Disposal Initial Deposit and the interests accrued thereon, the SSCL Purchaser shall pay the outstanding amount of such damages to FSL in accordance with the terms of the SSCL Share Transfer Agreement.

If the SSCL Disposal Conditions Precedent are not fulfilled or the SSCL Disposal Completion fails to take place due to reason(s) other than the default of the SSCL Purchaser, the SSCL Disposal Escrow Fund shall be refunded to the SSCL Purchaser by the Escrow Agent upon the receipt of the Refund Notice by the Escrow Agent.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

- Termination of the SSCL Share Transfer Agreement** : The SSCL Share Transfer Agreement shall be terminated upon the earlier of:
- (a) all parties to the SSCL Share Transfer Agreement agreeing to terminate the SSCL Share Transfer Agreement in writing;
  - (b) any party to the SSCL Share Transfer Agreement giving not less than ten (10) Business Days prior written notice to terminate the SSCL Share Transfer Agreement upon the occurrence of any of the following:
    - (i) the representations and warranties given by any party to the SSCL Share Transfer Agreement becomes untrue, inaccurate, incomplete or misleading; or
    - (ii) any party to the SSCL Share Transfer Agreement fails to comply with the conditions, undertakings or obligations and fails to rectify such breach within ten (10) Business Days upon written warning tendered by the other party(ies) to the SSCL Share Transfer Agreement;
  - (c) in the event that any party to the SSCL Share Transfer Agreement is unable to perform, fully or partially, its obligations under the terms of the SSCL Share Transfer Agreement due to a force majeure event reasonably beyond its control (or such circumstances continue to last for over ninety (90) days before the SSCL Disposal Completion), any party to the SSCL Share Transfer Agreement not affected by the occurrence of such force majeure event giving not less than ten (10) Business Days prior written notice to terminate the SSCL Share Transfer Agreement; or
  - (d) the SSCL Disposal Conditions Precedent not having been fulfilled and/or waived (where applicable) or the SSCL Disposal not having been completed by the SSCL Disposal Long Stop Date.

The SSCL Purchaser is a limited liability company established under the laws of the PRC which principally engaged in the manufacturing of steel products. The SSCL Purchaser and its ultimate beneficial owner, being Mr. Shen Wenrong, are Independent Third Parties and are not Shareholders.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

Proceeds from the SSCL Disposal will be applied towards settling the outstanding liabilities due to (a) the SSCL Secured Creditor and (b) the LC Secured Lender. As such, the Provisional Liquidators have proposed to the LC Secured Lender that FSL's investment or interest in SSCL, interest in the SSCL Disposal and/or the proceeds generated therefrom be excluded from the calculation of the LC Agreed Consideration.

### **The assignment of the assets of the Licensed Corporations excluded from the calculation of the Core Net Asset Value**

The Provisional Liquidators have proposed to the LC Secured Lender that certain assets of the Licensed Corporations comprising (a) the inter-Group current account receivables from the Excluded Subsidiaries; (b) the balance in the client accounts of the Licensed Corporations; (c) FSL's investment/interest in SSCL, interest in the SSCL Disposal and/or the proceeds generated therefrom; (d) all rights and claims of the Licensed Corporations against third parties, and the benefit of all sums to which the Licensed Corporations is entitled from third parties and/or insurers in respect of loss or damage to the Licensed Corporations subsisting 31 July 2020; and (e) all rights regarding certain margin loan receivable of FSL, shall be excluded from the calculation of the LC Agreed Consideration.

Other than (i) the balance in the client accounts of the Licensed Corporations referred to in (b) above which belongs to the clients of the Licensed Corporations; (ii) portion of FSL's investment/interest in SSCL, interest in the SSCL Disposal and/or the proceeds generated therefrom for repayment to the SSCL Secured Creditor to settle all outstanding liabilities owing to the SSCL Secured Creditor by the Company; and (iii) all rights and claims of the Licensed Corporations against third parties, and the benefit of all sums to which the Licensed Corporations is entitled from third parties and/or insurers in respect of loss or damage to the Licensed Corporations subsisting as at 31 July 2020 for assignment to the holding companies of the Licensed Corporations, all the abovementioned assets shall be assigned for the benefit of the LC Secured Lender upon execution of the LC Shares Discharge Documents by or obtaining the consent for transferring or disposing of the shares of the Retained Subsidiaries from the LC Secured Lender as partial repayment of the Company's outstanding liability under the Facility Agreement.

In light of the above, the Company, the Provisional Liquidators and the Investor entered into the Restructuring Deed to facilitate the uplifting and/or relaxation of the restrictions imposed by the HKEX and the SFC on FSL and FCL and the restructuring of the indebtedness of the Company.



---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

### THE RESTRUCTURING DEED

The principal terms of the Restructuring Deed are as follows:

#### The Restructuring

The Restructuring 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 ListCo Schemes.

#### Effective Date of the Restructuring Deed

On 2 September 2020, the Provisional Liquidators obtained the sanction of the Court to enter into, among others, the Restructuring Deed.

The Restructuring Deed has taken effect and been legally binding and enforceable since 11 September 2020, being the date on which the Initial Deposit was paid by the Investor to the Designated Account in accordance with the terms of the Restructuring Deed.

#### Conditions Precedent of the Restructuring

Completion shall be conditional upon the fulfilment of all of the following conditions only:

- (a) all court approvals and procedures in connection with such approvals having been obtained and completed and having taken final binding effect, including:
  - (i) obtaining the sanction of the Court in the form of a sealed order with respect to the Hong Kong ListCo Scheme pursuant to section 673 of the Companies Ordinance and a copy of the sealed order sanctioning the Hong Kong ListCo Scheme pursuant to section 673(2) of the Companies Ordinance is registered by the Registrar of Companies in Hong Kong; and

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

- (ii) obtaining the sanction of the Grand Court in the form of a sealed order with respect to the Cayman Islands ListCo Scheme pursuant to section 86 of the Cayman Islands Companies Law and a copy of the sealed order sanctioning the Cayman Islands ListCo Scheme pursuant to section 86 of the Cayman Islands Companies Law is registered by the Registrar of Companies in the Cayman Islands;
- (b) (i) the Hong Kong ListCo Scheme becoming effective and being implemented in accordance with its terms; and
- (ii) the Cayman Islands ListCo Scheme becoming effective and being implemented in accordance with its terms;
- (c) all approvals and procedures required in connection with the Restructuring having been obtained and completed by the Company, including, where necessary and applicable, the requisite approval of (i) the ListCo Creditors in Scheme Meeting(s); (ii) the Independent Shareholders at an EGM to be held by the Company approving, among others, the transactions contemplated under the Restructuring including the Whitewash Waiver and the Special Deals; and (iii) the Executive granting the Whitewash Waiver and consenting to the Special Deals;
- (d) the discharge of the winding-up petition of the Company and the discharge of the Provisional Liquidators;
- (e) the Listing Committee approving (i) existing Shares to remain listed on the Stock Exchange; and (ii) the listing of, and granting permission to deal in, the new Shares in issue upon Completion and to be issued pursuant to the Restructuring Deed, and such approval not having been subsequently revoked or withdrawn;
- (f) the completion of the Share Premium Cancellation;
- (g) the completion of the Resumption; and
- (h) the completion of the First Loan Conversion, the Subscription and the issue of the Scheme Shares.

None of the abovementioned conditions can be waived by any parties to the Restructuring Deed. In the event that the Resumption is not approved by the Stock Exchange, completion to the Acquisition shall not be subject to the abovementioned conditions. As at the Latest Practicable Date, conditions (c)(i) and (f) above have been fulfilled, and the sanction of the Court in the form of a sealed order with respect to the Hong Kong ListCo Scheme and the sanction of the Grand Court in the form of a sealed order with respect to the Cayman Islands ListCo Scheme have been obtained, respectively.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

### The Provision of the First Loan and the Second Loan by the Investor

#### *I. The First Loan Agreement*

Date : 10 September 2020

Parties : (a) the Company (as borrower)

(b) the Provisional Liquidators

(c) the Investor (as lender)

#### *Effective Date of the First Loan Agreement*

On 2 September 2020, the Provisional Liquidators obtained the sanction of the Court to enter into, among others, the First Loan Agreement. As such, the First Loan Agreement has taken effect and been legally binding and enforceable since 10 September 2020, being the date of execution of the First Loan Agreement.

#### *The First Loan*

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).

#### *Purpose of the First Loan*

The Company shall apply all proceeds of the First Loan towards the settlement of the outstanding liabilities due to the LC Secured Lender (so as to obtain the executed LC Shares Discharge Documents or consent for transferring or disposing of the shares of the Retained Subsidiaries from the LC Secured Lender and facilitate the uplifting and/or relaxation of the restrictions imposed by the HKEX and the SFC on FSL and FCL) and shall not be used for any other purpose whatsoever without the prior written consent of the Investor.

#### *Initial Drawdown*

The Initial Deposit in the amount of HK\$50 million shall constitute as part of the First Loan at the Initial Drawdown.

The Initial Drawdown (less the Initial Deposit) to the Designated Account shall be subject to the fulfilment of the following conditions only:

- (a) the First Loan Agreement having been executed by the Company, the Provisional Liquidators and the Investor;
- (b) the Restructuring Deed having been executed by the Company, the Provisional Liquidators and the Investor;

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

- (c) the Investor having obtained (or such other entities held by the Investor) the approval to become a substantial shareholder of the Licensed Corporations from the SFC;
- (d) Mr. Pun Hong Hai, a responsible officer of FSL having provided a letter of undertaking to the Investor, confirming and undertaking that he shall remain as a responsible officer of FSL, and shall continue to work at FSL, for an agreed period of time after the Resumption; and
- (e) Mr. Li Chun Kei, a responsible officer of FSL having provided a letter of undertaking to the Investor, confirming and undertaking that he shall remain as a responsible officer of FSL, and shall continue to work at FSL, for an agreed period of time after the Resumption.

None of the abovementioned conditions can be waived by any of the parties to the First Loan Agreement. As at the Latest Practicable Date, the Investor has obtained the approval to become a substantial shareholder of the Licensed Corporations from the SFC, and all of the above conditions have been fulfilled.

As at the Latest Practicable Date, the Investor has deposited the proceeds of the Initial Drawdown (less the Initial Deposit) into the Designated Account.

### *Further Drawdown*

Further to the fulfilment of all the abovementioned conditions for the Initial Drawdown and if, pursuant to the Tax Disputes Determination, the Actual Taxation Liability payable by FSL is less than the Estimated Taxation Liability, the Investor shall top up the Top-up Loan Amount, being an amount equivalent to the difference between the Estimated Taxation Liability and the Actual Taxation Liability, to the First Loan by depositing the Top-up Loan Amount to the Designated Account.

### *Release of Proceeds of the First Loan*

The release of the proceeds of the First Loan (including the Initial Deposit and the Top-up Loan Amount (if any) but less the Retention Money) from the Designated Account to the ListCo Account for repayment to the LC Secured Lender shall be subject to the fulfilment of the following conditions only:

- (a) the LC Secured Lender having provided a letter of undertaking to the Company and the Investor undertaking to, among others, execute and release to the Company and (via the Company) to the Investor the LC Shares Discharge Documents or granting the consent for transferring or disposing of the shares of the Retained Subsidiaries upon receiving the LC Agreed Consideration (less the Retention Money, which shall be stakeheld by the Provisional Liquidators pursuant to the terms of the Restructuring Deed);

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

- (b) applications having been made to the Courts for leave to convene the Scheme Meeting(s) by the Provisional Liquidators or application having been made to the Grand Court for recognition of the Provisional Liquidators for the purpose of convening the Scheme Meeting(s) by the Provisional Liquidators;
- (c) the Provisional Liquidators having confirmed that save for those previously disclosed to the Investor in writing, since the date of their appointment and until the date of the confirmation, they are not aware of, or made aware of, any outstanding liabilities (whether existing or contingent) owed by the Company and the Licensed Corporations to any other party;
- (d) the Acquisition SPA having been executed by the parties thereto in the form agreed between the Investor and the Provisional Liquidators;
- (e) Mr. Pun Hong Hai and Mr. Li Chun Kei, both responsible officers of FSL having confirmed to the Investor in writing that as at the date of the confirmation, they are not aware of, or made aware of, any outstanding liabilities (whether existing or contingent) owed by the Licensed Corporations to any other party, save for those previously disclosed to the Investor in writing and for those arising out of the ordinary course of business of the Licensed Corporations; and
- (f) the passing of resolution approving Special Deal I by the Independent Shareholders in an EGM, and the consent to Special Deal I by the Executive having been obtained.

None of the abovementioned conditions can be waived by any of the parties to the First Loan Agreement. As at the Latest Practicable Date, conditions (a), (b), (c), (d) and (e) above have been fulfilled, and the proceeds of the First Loan (including the Initial Deposit and the Top-up Loan Amount (if any)) has not been released from the Designated Account to the ListCo Account.

If any New Claims arise during the Period, the Retention Money shall be used for settling, satisfying and/or resolving, fully or in part, such New Claims (the “**Settlement**”). Upon (a) fulfilment of all the abovementioned conditions for the release of the proceeds of the First Loan; (b) the expiration of the Period; and (c) the Provisional Liquidators giving the Investor not less than five (5) Business Days’ prior written notice, the Retention Money (less the amount used for the Settlement, if any) shall be released from the Designated Account to the ListCo Account within seven (7) Business Days after the later of (a) the date of Settlement of all New Claims; or (b) the expiration of the Period, or such earlier date as agreed by the Company, the Provisional Liquidators and the Investor for repayment to the LC Secured Lender.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

All outstanding liabilities of the Company under the First Loan Agreement will be fully discharged either upon (a) completion of the First Loan Conversion in the event that the Resumption is approved by the Stock Exchange; or (b) completion of the Acquisition in the event that the Resumption is not approved by the Stock Exchange by the Long Stop Date. In relation to (b) above, even if the Whitewash Waiver is not granted by the Executive and/or the approval in respect thereof cannot be obtained from the Independent Shareholders and as such the First Loan Conversion does not proceed, the outstanding liabilities of the Company under the First Loan Agreement will be fully settled upon completion of the Acquisition.

Based on the aforementioned, the Provisional Liquidators and the Investor consider that it is not necessary to include the granting of the Whitewash Waiver by the Executive and the approval of the Independent Shareholders in respect thereof as conditions for releasing the proceeds of the First Loan.

### *First Loan Conversion*

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. Assuming there is no Further Drawdown, the number of the First Loan Conversion Shares shall be 9,987,877,226 Shares and the conversion price for the First Loan Conversion Shares shall amount to approximately HK\$0.01614 per Share. 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.

Please refer to the paragraph headed “Completion of the Subscription and the First Loan Conversion” in this letter for further details of the conditions for the completion of the First Loan Conversion.

### *Repayment*

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 pursuant to the terms and conditions of the Acquisition SPA. Please refer to the paragraph headed “The Acquisition” in the section headed “Letter from the Provisional Liquidators” in this circular for further details.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

### *II. The Second Loan Agreement*

Date : 10 September 2020

Parties : (a) the Company (as borrower)

(b) the Provisional Liquidators

(c) the Investor (as lender)

#### *Effective Date of the Second Loan Agreement*

On 2 September 2020, the Provisional Liquidators obtained the sanction of the Court to enter into, among others, the Second Loan Agreement. As such, the Second Loan Agreement has taken effect and been legally binding and enforceable since 10 September 2020, being the date of execution of the Second Loan Agreement.

#### *The Second Loan*

The Investor shall make available to the Company interest-free and unsecured loans of up to HK\$40 million in aggregate.

#### *Purpose of the Second Loan*

The proceeds of the Second Loan shall be used as payment for or contribution towards the costs, expenses, fees and charges to be incurred for the proposed Restructuring, with any balance remaining after settling the aforesaid to be used as working capital of the Group.

#### *Drawdown*

The Company may drawdown the proceeds of the Second Loan in installments to the Designated Account in accordance with the following drawdown schedule:

<b>Tranche</b>	<b>Amount</b>	<b>Drawdown Date</b>
1	HK\$5 million	Within five (5) Business Days upon signing of the Term Sheet
2	HK\$5 million	Within ten (10) Business Days upon signing of the Restructuring Deed
3	HK\$5 million	Within ten (10) Business Days upon submission of Resumption Proposal to the Stock Exchange

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

Tranche	Amount	Drawdown Date
4	HK\$5 million	Within ten (10) Business Days upon notice of ListCo Creditors' meetings for the Cayman Islands ListCo Scheme or Hong Kong ListCo Scheme to be held by the Company having been despatched
5	HK\$5 million	Within ten (10) Business Days upon obtaining approval (whether conditional or unconditional) from the Stock Exchange on the Resumption
6	HK\$15 million	Within ten (10) Business Days upon the Resumption

As at the Latest Practicable Date, the Investor has deposited the first, second, third and fourth tranches of the Second Loan, being an aggregate amount of HK\$20 million, into the Designated Account. The Company is not subject to any conditions for the release of the proceeds of the Second Loan from the Designated Account to the ListCo Account.

### *Second Loan Conversion*

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. Assuming there is no Further Drawdown, the number of the Second Loan Conversion Shares shall amount to 2,478,766,139 Shares and the conversion price for the Second Loan Conversion Shares shall be approximately HK\$0.01614 per Share. The Second Loan Conversion Shares shall rank *pari passu* in all respects with the existing Shares in issue at the date of allotment of the Second Loan Conversion Shares.

Completion of the Second Loan Conversion is conditional upon and subject to the satisfaction of the following conditions only:

- (a) the passing of resolutions under specific mandate approving the allotment and issue of the Second Loan Conversion Shares by the Independent Shareholders in an EGM;



---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

- (b) to the extent not waived or consented to by or the requisite approval or ruling not obtained from the relevant regulatory or governmental authorities, compliance by each of the Company, the Provisional Liquidators and the Investor of all applicable Laws and regulations, including but not limited to those under the Listing Rules, the Companies Ordinance and the Laws and regulations of their respective jurisdictions of incorporation;
- (c) all license, permit, consent, authorisation, permission, clearance, warrant, confirmation, certificate or approval of any competent governmental, administrative, supervisory, regulatory, judicial, determinative, disciplinary, enforcement or tax raising body, authority, agency, board, department, court or tribunal of any jurisdiction (including the Stock Exchange, SFC or any relevant securities exchange) and whether supranational, national, regional or local or any other person which are required for the Second Loan Conversion and all matters contemplated thereunder having been obtained or made, if any;
- (d) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the Second Loan Conversion void, unenforceable or illegal, or restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to the Second Loan Conversion (other than such orders or decisions as would not have a material adverse effect on the legal ability of the Company and/or the Investor to proceed with the Second Loan Conversion); and
- (e) the Listing Committee granting the approval for the listing of, and permission to deal in the Second Loan Conversion Shares (with or without conditions), and the Stock Exchange not having withdrawn or revoked such approval.

None of the abovementioned conditions can be waived by any of the parties to the Second Loan Agreement. As at the Latest Practicable Date, none of the abovementioned conditions has been fulfilled.

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.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

### *Repayment*

In the event that the Resumption is not approved by the Stock Exchange by the Long Stop Date:

- (a) 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;
- (b) the Investor shall be entitled to exercise all its rights as an unsecured creditor against the Company in relation to the Second Loan; provided, however, that the Investor agreed and acknowledged that the repayment obligation in respect of the Second Loan shall be borne by the Company solely. The Provisional Liquidators shall not in any way be obliged to repay all or any part of the Second Loan, whether during or after the Completion; and
- (c) the Second Loan Expended Portion shall cease to be repayable to the Investor.

In the event that the Resumption is approved by the Stock Exchange by the Long Stop Date and the Investor does not convert the Second Loan within the Conversion Period:

- (a) the Second Loan (including the Second Loan Expended Portion) shall be due and payable to the Investor by the Company on demand after the lapse of the Conversion Period; and
- (b) the Investor shall be entitled to exercise all its rights as an unsecured creditor against the Company in relation to the Second Loan; provided, however, that the Investor agreed and acknowledged that the repayment obligation in respect of the Second Loan shall be borne by the Company solely. The Provisional Liquidators shall not in any way be obliged to repay all or any part of the Second Loan, whether during or after the Completion.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

### *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 way of Subscription, 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. Assuming there is no Further Drawdown, the number of the Subscription Shares shall amount to 4,957,532,278 Shares and the subscription price for the Subscription Shares shall be approximately HK\$0.01614 per Share. The Subscription Shares and the First Loan Conversion Shares shall rank *pari passu* in all respects with the existing Shares in issue at the date of allotment of the Subscription Shares and the First Loan Conversion Shares.

The New Subscription Proceeds, together with any accrued interest, shall be applied as the Scheme Cash Consideration to discharge the liabilities of the Company under the ListCo Schemes and pay the costs and expenses for the implementation of the ListCo Schemes.

### *Completion of the Subscription and the First Loan Conversion*

Completion of the Subscription and the First Loan Conversion is conditional to the satisfaction of the following conditions only:

- (a) all approvals required to transfer the shares of all Excluded Subsidiaries to entities outside of the Retained Group having been obtained;
- (b) the Company having completed the divestment from and spun off each Excluded Subsidiary and no director or officer or employee of the Company is acting as a director, officer or employee of any Excluded Subsidiary;
- (c) the removal or resignation of the existing directors of each member of the Retained Group and the appointment of the proposed directors of each member of the Retained Group as designated by the Investor with effect from the completion date of the Subscription and the First Loan Conversion;
- (d) the passing of resolutions under specific mandate approving the Subscription and the First Loan Conversion by the Independent Shareholders in an EGM;

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

- (e) to the extent not waived or consented to by or the requisite approval or ruling not obtained from the relevant regulatory or governmental authorities, compliance by each of the Company, the Provisional Liquidators and the Investor of all applicable Laws and regulations, including but not limited to those under the Listing rules, the Companies Ordinance and the Laws and regulations of their respective jurisdictions of incorporation;
- (f) all license, permit, consent, authorization, permission, clearance, warrant, confirmation, certificate or approval of any competent governmental, administrative, supervisory, regulatory, judicial, determinative, disciplinary, enforcement or tax raising body, authority, agency, board, department, court or tribunal of any jurisdiction (including the Stock Exchange, SFC or any relevant securities exchange) and whether supranational, national, regional or local or any other person which are required for the Subscription and the First Loan Conversion and all matters contemplated thereunder having been obtained or made, if any;
- (g) relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the Subscription or the First Loan Conversion void, unenforceable or illegal, or restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to the Subscription and the First Loan Conversion (other than such orders or decisions as would not have a material adverse effect on the legal ability of the Company and/or the Investor to proceed with the Subscription and the First Loan Conversion);
- (h) the passing of the special resolution approving the Whitewash Waiver by the Independent Shareholders in an EGM, and the Whitewash Waiver having been granted by the Executive and such Whitewash Waiver not having been subsequently revoked or withdrawn; and
- (i) the Listing Committee granting the approval for the listing of, and permission to deal in, the Subscription Shares and the First Loan Conversion Shares (with or without conditions), and the Stock Exchange not having withdrawn or revoked such approval.

None of the abovementioned conditions can be waived by any of the parties to the Restructuring Deed. Subject to fulfilment of the above conditions, completion of the Subscription and the First Loan Conversion shall take place simultaneously at such place and on such date as agreed by the Company, the Provisional Liquidators and the Investor in writing, which shall in any event take place on or before the date of the Resumption. As at the Latest Practicable Date, none of the abovementioned conditions has been fulfilled.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

The First Loan Conversion Shares, the Subscription Shares and the Scheme Shares will be allotted and issued simultaneously.

### *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.

As at the Latest Practicable Date, the Share Premium Cancellation has been completed.

### *The Resumption*

The Company, the Provisional Liquidators and the Investor acknowledged that, as at the date of the Restructuring Deed, the Stock Exchange has set out the following Resumption Guidance, which is subject to modification and/or further guidance given by the Stock Exchange, for the Company:

- (a) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules;
- (b) have the winding-up petition(s) withdrawn or dismissed and the Provisional Liquidators discharged;
- (c) inform the market of all material information for the Shareholders and other investors to appraise the Group's position; and
- (d) publish all outstanding financial results and address any audit modification(s).

As at the Latest Practicable Date, the Stock Exchange has not confirmed that the Company has fulfilled the abovementioned Resumption Guidance.

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, including but not limited to:

- (a) executing and procuring the execution of the Restructuring Documents;

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

- (b) providing information requested by the Provisional Liquidators to facilitate, among others, the formulation of the Resumption Proposal to be submitted to the Stock Exchange; and
- (c) cooperating fully and reasonably to do such further acts and things and executing any further document that may be necessary or desirable to give full effect to the Restructuring.

### *The Acquisition*

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.

### *Exclusion of the SSCL Interest*

The SSCL Interest does not form part of the Restructuring. In the event that the Resumption is not approved by the Stock Exchange, the SSCL Interest will not form part of the assets to be acquired by the Investor through the Acquisition. In the event that completion of the SSCL Disposal does not occur on or before 31 December 2021 or such other date to be agreed by the Company, the Provisional Liquidators and the Investor in writing, the Provisional Liquidators and the Investor shall negotiate in good faith regarding the arrangement in relation to the SSCL Interest, including but not limited to the potential acquisition of the SSCL Interest by the Investor.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

On 9 February 2021, FSL, the Provisional Liquidators and the SSCL Purchaser entered into the SSCL Share Transfer Agreement. Please refer to the paragraph headed “The SSCL Disposal” in this letter for further details.

### *The ListCo Schemes*

Pursuant to the Restructuring Deed, the debt restructuring of the Company shall be implemented by way of the ListCo Schemes. A summary of the ListCo Schemes is set out below:

As at 31 March 2021, approximately HK\$4.21 billion is owed by the Company to the ListCo Creditors.

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 Company 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.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

### *Effective Date of the ListCo Schemes*

The Hong Kong ListCo Scheme shall become effective on the date when all the conditions set out below are satisfied:

- (a) the ListCo Creditors approve the Hong Kong ListCo Scheme at a Scheme Meeting;
- (b) the Hong Kong ListCo Scheme is sanctioned by the Court;
- (c) a copy of the sealed order sanctioning the Hong Kong ListCo Scheme is registered by the Registrar of Companies in Hong Kong;
- (d) the Resumption having been approved by the Stock Exchange (whether conditionally or unconditionally); and
- (e) the passing of resolution approving Special Deal III by the Independent Shareholders in an EGM, and the consent to Special Deal III by the Executive having been obtained;

As at the Latest Practicable Date, conditions (a) and (b) above have been fulfilled.

The Cayman Islands ListCo Scheme shall become effective on the date when all the conditions set out below are satisfied:

- (a) the ListCo Creditors approve the Cayman Islands ListCo Scheme at a Scheme Meeting;
- (b) the Cayman Islands ListCo Scheme is sanctioned by the Grand Court;
- (c) a copy of the sealed order sanctioning the Cayman Islands ListCo Scheme is delivered to the Registrar of Companies appointed under the Cayman Islands Companies Law for registration; and
- (d) the Resumption having been approved by the Stock Exchange (whether conditionally or unconditionally).

As at the Latest Practicable Date, conditions (a) and (b) above have been fulfilled.



---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

### *Supervisory Committee*

Upon payment of the full amount of the Initial Deposit into the Designated Account and the execution of the Restructuring Deed and the First Loan Agreement, the Company, the Provisional Liquidators and the Investor shall (within five (5) Business Days on written request to that effect made by the Investor) form a Supervisory Committee, comprising not more than three (3) representatives designated by the Investor and not more than three (3) representatives designated by the Provisional Liquidators for the purpose of monitoring, overseeing and supervising the business and financial operations of the Licensed Corporations. None of the members of the Supervisory Committee will be the Shareholders nor the representatives of any of the Shareholders.

As at the Latest Practicable Date, the Supervisory Committee has not been set up as the Investor has not made any written request to this effect.

### *Exclusivity Period*

During the period commencing from the date of the Term Sheet to the Long Stop Date, the Provisional Liquidators agree that they shall not initiate or continue negotiations or discussions with or furnish any information with respect to the Restructuring to any person or entity other than the Investor.

## **FIRST LOAN CONVERSION SHARES, SUBSCRIPTION SHARES AND SECOND LOAN CONVERSION SHARES**

If the Resumption is approved by the Stock Exchange (whether conditionally or unconditionally) and assuming there is no Further Drawdown, the Investor shall convert the First Loan into 9,987,877,226 First Loan Conversion Shares and subscribe 4,957,532,278 Subscription Shares, which together 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.

Assuming there is no Further Drawdown, the number of 9,987,877,226 First Loan Conversion Shares represents:

- (a) approximately 534.6% of the existing issued share capital of the Company; and
- (b) approximately 53.5% of the issued share capital of the Company upon completion of the First Loan Conversion, the Subscription and the issue of the Scheme Shares.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

Assuming there is no Further Drawdown, the number of 4,957,532,278 Subscription Shares represents:

- (a) approximately 265.4% of the existing issued share capital of the Company; and
- (b) approximately 26.5% of the issued share capital of the Company upon completion of the First Loan Conversion, the Subscription and the issue of the Scheme Shares.

If the Resumption is approved by the Stock Exchange (whether conditionally or unconditionally) and assuming there is no Further Drawdown, the Investor may, within the Conversion Period, convert the Second Loan into 2,478,766,139 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.

Assuming there is no Further Drawdown, the number of 2,478,766,139 Second Loan Conversion Shares represents:

- (a) approximately 132.7% of the existing issued share capital of the Company; and
- (b) approximately 11.7% of the 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.

### **Price of the First Loan Conversion Shares, the Subscription Shares and the Second Loan Conversion Shares**

The First Loan Conversion Price, the Subscription Price and the Second Loan Conversion Price shall all be fixed at the same price which shall range from approximately HK\$0.01614 (assuming there is no Further Drawdown of the Top-up Loan Amount) to HK\$0.01661 (assuming there is Further Drawdown of the Top-up Loan Amount and the Top-up Loan Amount equals to the Estimated Taxation Liability) per Share.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

The First Loan Conversion Price, the Subscription Price and the Second Loan Conversion Price per Share represent:

- (a) a discount of approximately 82.1% to 81.5% to the closing price of HK\$0.0900 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 83.2% to 82.7% to the average closing price of HK\$0.0958 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (c) a discount of approximately 83.9% to 83.5% to the average closing price of HK\$0.1000 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;
- (d) a premium of approximately HK\$1.2640 to HK\$1.2645 over the Group's theoretical consolidated net liabilities per Share of approximately HK\$1.2479 as at 31 March 2020, based on the audited net liabilities attributable to Shareholders of approximately HK\$2,331,231,000 as at 31 March 2020 and 1,868,176,188 Shares in issue as at 31 March 2020; and
- (e) a premium of approximately HK\$1.3779 to HK\$1.3784 over the Group's theoretical unaudited net liabilities per Share of approximately HK\$1.3618 as at 30 September 2020, based on the unaudited net liabilities attributable to Shareholders of approximately HK\$2,544,049,000 as at 30 September 2020 and 1,868,176,188 Shares in issue as at 30 September 2020.

The First Loan Conversion Price, the Subscription Price and the Second Loan Conversion Price were determined after arm's length negotiations between the Company and the Investor having regard to (i) the market price of the Shares prior to and including the Last Trading Day; (ii) the Core Net Asset Value of the Licensed Corporations; (iii) the capital needs of the Company as detailed in the paragraph headed "Background of the Restructuring" in this letter; (iv) the fact that the Provisional Liquidators have been appointed; (v) the prolonged suspension of trading in the Shares on the Stock Exchange; (vi) the prevailing market conditions; and (vii) the prospects of the business operations of the Group.

## LETTER FROM THE PROVISIONAL LIQUIDATORS

### Fund raising activities of the Company in the past 12 months

The Company did not carry out any rights issue, open offer or other issue of equity securities for fund raising purpose or otherwise within the 12 months immediately prior to the Latest Practicable Date.

### ILLUSTRATIVE CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, the table below sets out the changes in the Company's shareholding structure, assuming (a) there is no Further Drawdown; and (b) the First Loan Conversion, the Subscription, the issue of the Scheme Shares, the Placing Down and the Second Loan Conversion will take place:

	As at the Latest Practicable Date		Upon the completion of the First Loan Conversion; the Subscription; and the issue of Scheme Shares <sup>2</sup>				Upon the completion of the Second Loan Conversion within the Conversion Period (if any) <sup>3</sup>	
	Shares	%	Shares	%	Shares	%	Shares	%
					Upon the completion of the Placing Down			
InterGlobal Trust Limited <sup>1</sup>	300,000,000	16.1	300,000,000	1.6	300,000,000	1.6	300,000,000	1.4
Public Shareholders	1,568,176,188	83.9	1,568,176,188	8.4	1,568,176,188	8.4	1,568,176,188	7.4
Placees	-	-	-	-	1,553,779,629	8.3	1,553,779,629	7.3
Investor and the parties acting in concert with it	-	-	14,945,409,504	80.0 <sup>4</sup>	13,391,629,875	71.7	15,870,396,014 <sup>5,6</sup>	75.0
ListCo Schemes SchemeCo <sup>7</sup>	-	-	1,868,176,188	10.0	1,868,176,188	10.0	1,868,176,188	8.8
<b>Total</b>	<b>1,868,176,188</b>	<b>100.0</b>	<b>18,681,761,880</b>	<b>100.0</b>	<b>18,681,761,880</b>	<b>100.0</b>	<b>21,160,528,019</b>	<b>100.0</b>

*Notes:*

1. The ultimate beneficial owner of InterGlobal Trust Limited is Mr. Liang Yahong.
2. The First Loan Conversion Shares, the Subscription Shares and the Scheme Shares will be allotted and issued simultaneously.
3. The Second Loan Conversion (if any) shall take place during the Conversion Period.
4. Pursuant to the Restructuring Deed, under all possible scenarios, the highest percentage of the enlarged issued share capital of the Company to be held by the Investor and the parties acting in concert with it upon the completion of the First Loan Conversion, the Subscription and the issue of the Scheme Shares is 80%.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

5. For illustrative purpose only, assuming (a) there is no change to the shareholding structuring of the Company after completion of the Placing Down up to the time immediately prior to the Second Loan Conversion; and (b) the conversion of the Second Loan Conversion Shares in full, 2,478,766,139 Second Loan Conversion Shares will be allotted and issued to the Investor.
6. The Investor has undertaken not to exercise the conversion right under the Second Loan Conversion if such right will result in the Company being in breach of the public float requirement as set out in the Listing Rules. For details, please refer to the paragraph headed “Placing Down by the Investor to Maintain Public Float” in the section headed “Letter from the Provisional Liquidators” in this circular.
7. Shares held by InterGlobal Trust Limited and the ListCo Schemes SchemeCo (which holds the Shares for the benefit of a diverse group of ListCo Schemes Creditors under the ListCo Schemes) and the Shares held by the placees are considered as Shares held by the public for the purpose of fulfilling the minimum public float requirement under the Listing Rules.

All share options granted under the Share Option Scheme have lapsed on 15 January 2021. As at the Latest Practicable Date, the Company had no outstanding options, convertible securities and warrants.

The First Loan Conversion Shares, the Subscription Shares, the Second Loan Conversion Shares and the Scheme Shares will be allotted and issued pursuant to a specific mandate to be obtained upon approval by the Shareholders at the EGM.

Assuming there is no Further Drawdown, the aggregate nominal value of new Shares to be issued, including the First Loan Conversion Shares, the Subscription Shares, the Second Loan Conversion Shares and the Scheme Shares, amounted to approximately HK\$192.9 million.

### **PLACING DOWN BY THE INVESTOR TO MAINTAIN PUBLIC FLOAT**

The Investor has undertaken with the Company and the Provisional Liquidators that, following completion of the Subscription and the First Loan Conversion, it will to the extent required by the Listing Rules and within the time limits permitted by the Stock Exchange but in any event, prior to the Resumption, engage a placing agent independent of the Investor and parties acting in concert with it to sell or otherwise dispose to Independent Third Parties and/or third parties independent of the Investor and its connected persons and not acting in concert with the Investor, its ultimate beneficial owners and their respective parties acting in concert, of such number of Shares as may be required to ensure that the minimum public float as required under the Listing Rules is maintained to permit the continued listing of all issued Shares on the Stock Exchange.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

The placing agent will place the required number of Shares to placees who will be professional, institutional or other private investors and will procure placees who are Independent Third Parties and/or third parties independent of the Investor and its connected persons and not acting in concert with the Investor, its ultimate beneficial owners and their respective parties acting in concert. It is expected that no individual placee will become a substantial Shareholder immediately after completion of the Placing Down. As such, the relevant number of Shares to be placed will form part of the public float of the Company.

The Investor is not restricted or precluded from exercising the conversion right under the Second Loan Conversion. However, the Investor has undertaken to the Company not to exercise the conversion right under the Second Loan Conversion if such right will result in the Company being in breach of the public float requirement as set out in the Listing Rules. The Investor also agreed and acknowledged that in the event the exercise of the conversion right under the Second Loan Conversion may result in the Company being in breach of the public float requirement under the Listing Rules, the Company shall have the absolute right and discretion to allow or disallow the Second Loan Conversion in order to maintain the public float of the Company.

### REASONS FOR THE ENTERING INTO OF THE RESTRUCTURING DEED

Given the financial situation of the Group and the willingness of the Investor to finance the Group to relieve the indebtedness of the Company and to continue the existing business operations of the Group, the Provisional Liquidators, the executive Directors and the non-executive Directors consider that the entering into the Restructuring Deed will facilitate (a) the uplifting and/or relaxation of the restrictions imposed by the HKEX and the SFC on FSL and FCL; and (b) the Company in satisfying the Resumption Guidance set out by the Stock Exchange.

Having considered the factors above, the Provisional Liquidators, the executive Directors and the non-executive Directors consider that the terms of the Restructuring Deed are on normal commercial terms that are fair and reasonable and the entering into of the Restructuring Deed is in the interests of the Company and the Shareholders as a whole.

### THE AUDIT QUALIFICATIONS

As set out in Appendix I to this circular, Crowe (HK) CPA Limited, the auditors of the Company (the “**Auditors**”) have given disclaimers of opinion on the consolidated financial statements of the Company for the two years ended 31 March 2019 and 2020, and disclaimer of conclusion on the interim financial information for the six months ended 30 September 2020. The basis for the disclaimers of opinion/conclusion are also set out in Appendix I to this circular. Set out below are a summary on the actions taken/to be taken by the Company to address each of the basis for the disclaimers of opinion/conclusion:

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

Disclaimer of opinion/ conclusion	Basis of disclaimer	Relevant financial year/period	Actions taken/to be taken
Deconsolidation of subsidiaries	Unable to access a complete set of accounting books and records of the Deconsolidated Subsidiaries due to the resignation of certain senior management personnel of the Company and non-cooperation of the management of the Deconsolidated Subsidiaries	<ul style="list-style-type: none"> <li>– The year ended 31 March 2020</li> <li>– The six months ended 30 September 2020</li> </ul>	Matters relating to disclaimer of opinion/conclusion arising from the deconsolidation of subsidiaries, investments in associates and investment in an unlisted equity investment will be resolved upon the taking effect of the ListCo Schemes, upon which the relevant (a) Deconsolidated Subsidiaries; (b) investments in the Associates; and (c) investment in Entity A will be transferred to the ListCo Schemes SchemeCo and carved out from the Group.
Investments in associates	<ul style="list-style-type: none"> <li>– No sufficient financial information of the Associates are available at the date of the annual/interim report</li> <li>– Inadequate information in support of the impairment assessment of investments in the Associates</li> </ul>		As set out in the announcements of the Company dated 22 January 2021 and 5 February 2021, (a) the resolution to approve the ListCo Schemes was duly passed at the Scheme Meetings held on 22 January 2021; (b) the Hong Kong ListCo Scheme was sanctioned without modification by the Court on 2 February 2021 (Hong Kong time); and (c) the Cayman Islands ListCo Scheme was sanctioned without modification by the Grand Court on 3 February 2021 (Cayman Islands time).
Investment in an unlisted equity investment	Unable to obtain sufficient financial information on the Group's 19.06% equity interest in Entity A to assess appropriateness of the basis of valuation		

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

Disclaimer of opinion/ conclusion	Basis of disclaimer	Relevant financial year/period	Actions taken/to be taken
			<p>The ListCo Schemes will become effective upon Completion, which is conditional upon, among others, (a) the Resumption having been approved by the Stock Exchange (whether conditionally or unconditionally); and (b) the passing of resolution approving Special Deal III by the Independent Shareholders in an EGM, and the consent to Special Deal III by the Executive having been obtained.</p>
Multiple uncertainties relating to going concern	The existence of material uncertainties on the winding-up petition against the Company may cast significant doubt about the Group's ability to continue as a going concern	<ul style="list-style-type: none"> <li>– The year ended 31 March 2019</li> <li>– The year ended 31 March 2020</li> <li>– The six months ended 30 September 2020</li> </ul>	<p>Matters relating to multiple uncertainties relating to going concern will be resolved upon the absence of events or conditions which may cast significant doubt about the going concern assumption of the Group and the occurrence of the following events, including but not limited to the withdrawal of the winding-up petition against the Company and the Group's maintenance of a net asset and net current asset position.</p> <p>The Company will restructure its debt by way of the ListCo Schemes. 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.</p>



---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

<b>Disclaimer of opinion/ conclusion</b>	<b>Basis of disclaimer</b>	<b>Relevant financial year/period</b>	<b>Actions taken/to be taken</b>
			<p>As at the Latest Practicable Date, the hearing of the winding-up petition has been adjourned to a date to be fixed no earlier than August 2021 as agreed by the Company with the Petitioner and approved by the Court.</p>
			<p>The Provisional Liquidators, the executive Directors and the non-executive Directors expect that the winding-up petition will be withdrawn and the Provisional Liquidators will be discharged in or around June 2021, upon Completion.</p>

The Auditors have agreed with the aforesaid description in relation to the actions taken/to be taken and the rectification of the audit qualifications. Having considered the above, upon Completion, and in the absence of any unforeseen circumstances, the Company is of the view that (a) the above audit qualifications should not materially affect the Group's financial results and operation; and (b) as agreed by the Auditors, all relevant audit qualifications will be removed and an unqualified opinion will be issued as to the consolidated financial statements of the Company for the year ending 31 March 2024.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

The Company is committed to conducting business in accordance with the laws, rules and policies issued or endorsed by regulators, best market practice and the highest standards of integrity and fair dealing. Pursuant to the Code of Conduct, a licensed corporation should have internal control in place to protect its operations, clients and other licensed or registered persons from financial loss arising from theft, fraud and other dishonest acts, professional misconduct or omissions. The Group has established internal control policies and operational guidelines and procedures for each of the business operations of the Licensed Corporations to (a) identify key regulatory requirements and processes that the Group is subject to; and (b) outline some of the compliance procedures, monitoring and reporting processes undertaken to ensure compliance with the applicable laws, rules, regulations and the Code of Conduct.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

The compliance department of the Group (the “**Compliance Department**”) is responsible for establishing overall compliance system, assisting in formulating the appropriate internal control policies and monitoring the Licensed Corporations’ overall compliance with the internal control policies, operational guidelines and procedures, applicable regulatory requirements and reports in this regard to the Directors from time to time. As at the date of this Resumption Proposal, the Compliance Department has three staff (including the head of compliance and two compliance officers).

The Compliance Department periodically reviews compliance policies and operational guidelines and procedures in compliance with the relevant laws and regulations and updates the relevant policies, guidelines and procedures if necessary. All functional departments are responsible for the implementation of the internal control policies and operational guidelines and procedures.

Set out below are some of the major internal control policies in relation to the Licensed Corporations’ principal business activities.

### ***Liquidity Risk***

Liquidity risk refers to the risk of not having sufficient funds to meet the liabilities as they fall due.

The finance department of the Group (the “**Finance Department**”) is responsible for monitoring and managing cash flow liquidity, and reporting to Directors to determine the appropriate actions to be taken whenever necessary.

In particular, the Finance Department conducts liquid capital computation on a daily basis to ensure that the Licensed Corporations comply with the minimum requirements as set out in certain relevant laws on an ongoing basis.

### ***Credit Risk***

Credit risk refers to risk of suffering from losses due to the default of clients when they fail to perform their respective obligations when due. The Licensed Corporations’ securities brokerage services and securities margin financing services are both susceptible to credit risks should clients fail to fulfill their payment obligations.

The credit risk committee of the Group (the “**Credit Risk Committee**”) oversees the overall credit risk exposure through credit assessment, credit limit approval and continuous management of credit exposure of the securities brokerage services and securities margin financing services in accordance with the credit risk management policy of the Group. To mitigate the abovementioned credit risk, a credit limit is initially assigned to each client based on his/her financial background and credit standing. Clients are not allowed to execute further securities purchases once their credit limit has been reached unless approval is granted by the Credit Risk Committee.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

### *Cybersecurity Risk*

The Group has put in place a cybersecurity risk management policy to safeguard the security and integrity of the online trading systems, back office systems and related IT infrastructure of the Licensed Corporations.

Under such policy and rules:–

- (a) Access controls are implemented so that the use of the IT systems by users are restricted based on authorization levels prescribed by the senior management.
- (b) The computer systems and information processing facilities are protected by firewalls and anti-virus software to prevent and detect any potential threats by computer viruses and other malicious software.
- (c) To ensure the safety and stability of the trading systems and prevent system breakdown, for hardware components of the trading systems, there are backup components to ensure any hardware failure can be recovered within a short period of time.
- (d) Moreover, IT related controls and contingency plans with backup procedures are put in place to ensure the continuity of the operations without substantial disruption due to the breakdown of the IT systems.

### *Operational Risk*

#### *(a) Segregation of client assets*

To segregate client money for the proper protection of client assets, the Finance Department will deposit all monies received from or on behalf of each client into a segregated account within one business day after such client monies are received and verified.

The Finance Department will conduct bank reconciliation on a daily basis to ensure that the trust accounts and house accounts are correctly separated and match the ledger balance. If any discrepancies are discovered, the reason for the discrepancy and remedial actions undertaken will be promptly identified and recorded in the daily reconciliation report, which should subsequently be reviewed and approved by the responsible officers of the Licensed Corporations (the “**Responsible Officers**”).

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

*(b) Business continuity procedures*

A business continuity plan is devised to ensure that no substantial interruption would be caused to the daily operations of the Licensed Corporations in case of emergencies. The continuity plan is reviewed and tested regularly to ensure its effectiveness and relevance.

In addition, the Licensed Corporations maintains daily backup procedures, remote premise and home office arrangement and alternative means of communication in place to ensure the continuity of the business operations.

*(c) Record-keeping policies*

Under the monitoring of the Compliance Department, the various categories of corporate documents, such as company certificates, policies, agreements, client profile, are well documented in accordance with the corporate documentation policy of the Group.

### ***Regulatory Risk***

The Company is required to comply with ongoing obligations prescribed by the Listing Rules, SFO, its subsidiary legislations as well as the codes and guidelines published by the SFC and the Stock Exchange from time to time. Any failure to comply with the relevant laws and regulations may expose the Group to potential fines, penalties, proceedings, and may potentially lead to the suspension or revocation of the licences. To guard against the regulatory risks, the Group has put in place the following internal control procedures:–

*(a) “Chinese wall” procedures*

The Licensed Corporations are required to maintain effective Chinese Walls to control flow of information that may be confidential or price sensitive between the corporate finance business (the “private side” of the Chinese Walls) and securities dealing and brokerage business, securities financing business and asset management business (collectively the “public side” of the Chinese Walls). Commercial and/or price sensitive information shall only be passed to the staff when there is a legitimate “need to know” on the part of the recipient and the transfer of information is in the best interests of client.

To control the flow of information that may be confidential or price sensitive between the corporate finance advisory business and the other business activities of the Licensed Corporations, the Licensed Corporations’ staff is required to strictly adhere to the wall crossing procedures, where written prior approval must be obtained from the Compliance Department and the relevant Responsible Officers.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

*(b) Conflict of interests*

- (i) Each of the staff of the Licensed Corporations is required to declare his/her outside engagements, including business interests and directorship, upon joining the Company.
- (ii) Each of the staff of the Licensed Corporations is required to take all reasonable steps to avoid situations that are likely to involve conflicts of interest and must not place his/her interest above the Company's or his/her clients' interest.
- (iii) Where a staff off the Licensed Corporations has a material interest in a transaction with a client or a relationship which gives rise to an actual or potential conflict of interest in relation to the transaction, the staff should neither advise, nor deal with the transaction unless he/she has disclosed that material interest or conflict to the client and obtained approval from the relevant Responsible Officer.
- (iv) Each of the staff of securities dealing and brokerage business is required to ensure that client orders, at all time, have priority over orders of staff's accounts and group's account.

*(c) Staff dealings*

In addition to the policy for conflicts of interest as set out above, each of the staff of the Licensed Corporations is required to (i) strictly follow the internal policy on staff dealing which may give rise to conflicts of interest between the staff, the Company and clients and (ii) deal or trade in any securities or financial products in adherence to the following main principles:-

- (i) the staff of the Licensed Corporations must declare their personal and related accounts upon joining the Company, and subsequently on an annual basis;
- (ii) the staff of the Licensed Corporations must arrange for duplicate statements of accounts for each of their investment account maintained with the Company or externally for the review by Compliance Department on a daily basis;
- (iii) the staff of the Licensed Corporations are not allowed to deal or trade in such securities or financial products when they are in possession of material non-public information or unpublished price sensitive information in relation to such securities or financial products;
- (iv) the Group's staff are not allowed to trade in securities the issuers of which are on restricted list; and
- (v) (for staff of asset management business) prior approval must be obtained from the Compliance Department and Responsible Officers for any personal investments and hold for at least 30 days.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

(d) *Staff education and training*

Trainings are provided for new employees during orientation to ensure that they are aware of their personal obligations under the relevant legislation and guidelines. Refresher training are also provided regularly to maintain the level of awareness of the staff.

During the three years ended 31 March 2020 and up to the Latest Practicable Date, (i) the Licensed Corporations had not failed, or received any objection from the SFC or other relevant competent authorities in applying for SFC Licenses and the HKEX participations; (ii) the Licensed Corporations had complied with all applicable laws and regulations in all material respects; and (iii) no disciplinary actions was taken against any Licensed Corporations and/or their staff.

The Company's failure in settling its debt obligations, which resulted in the winding-up petition and the subsequent appointment of the Provisional Liquidators, was mainly due to the provision of bad debts in the aggregate amount of approximately HK\$2 billion incurred for the two financial years ended 31 March 2019 in respect of its loan receivables in the segment of provision of finance, which will no longer be carried out by the Retained Group.

The following steps have been taken/will be taken to avoid the reoccurrence of the above events:–

- (a) following the appointment of the Provisional Liquidators, all of the executive Directors who were appointed prior to the appointment of the Provisional Liquidators have stepped down as Directors, whereas the existing independent non-executive Directors would resign as Directors upon Completion;
- (b) new directors who have extensive experience in the financial service industry and/or corporate governance will be appointed to the Board of Directors upon Completion;
- (c) the senior management and relevant handling staff will be provided with adequate training and/or updated manual regarding the legal and regulatory requirements applicable to the business operations of the Group from time to time;
- (d) internal notice(s) will be issued to all departments of the Retained Group in respect of their obligations to strictly comply with all applicable laws, regulations and internal rules,
- (e) a checklist is required to be completed by the relevant handling staff to ensure compliance with the relevant procedures on monthly or regular basis; and
- (f) the subsidiary of the Company which was principally engaged in the provision of finance business will be transferred to the ListCo SchemeCo and carved out from the Group upon Completion, and the Retained Group will not continue the provision of finance business.

With the details set out above, the Company is of the view that various internal control policies and operational guidelines and procedures adopted by the Group are adequate and effective.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

### INFORMATION OF THE INVESTOR

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. 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.

The Investor is an investment holding special purpose vehicle with no business operation. The sole director of the Investor is Mr. Xu Hao. The Investor is an Independent Third Party and not a Shareholder.

### INTENTIONS OF THE INVESTOR REGARDING THE COMPANY

As at the Latest Practicable Date, the Investor confirmed that it had no intention to discontinue the employment of any existing employees of the Group, introduce any major changes to the existing principal business of the Group, redeploy the fixed assets of the Company, nor inject any assets or business into the Group. Upon Completion, the subsidiaries of the Company which are principally engaged in (a) the provision of finance and finance leasing and factoring business; (b) trading of securities and futures segment which involves purchase and sale of securities and future investments; and (c) investment holding shall be transferred to the ListCo Schemes SchemeCo. The Retained Group will not (a) continue the provision of finance and finance leasing and factoring business; or (b) continue to engage in proprietary trading of securities and futures investments or investment holding. Notwithstanding, 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.

Upon Completion, the existing Directors will resign as directors of the Company.

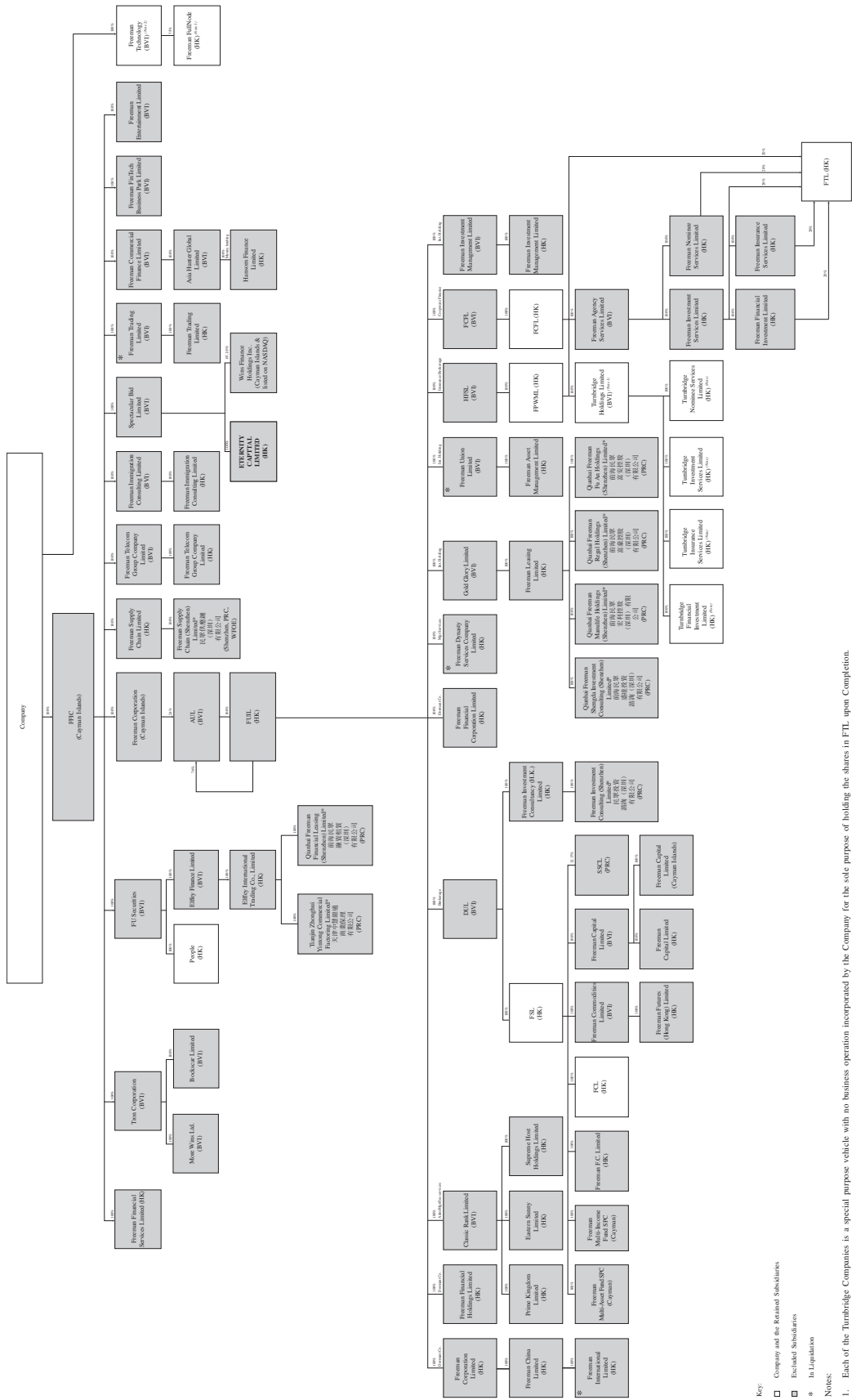
### INFORMATION OF THE GROUP

The Group is principally engaged in the financial services sector, including (a) the provision of securities and futures brokerage services, placing, underwriting and margin financing services; and (b) the provision of insurance brokerage and financial planning services.

# LETTER FROM THE PROVISIONAL LIQUIDATORS

## Corporate Structure of the Group immediately prior to the completion of the Restructuring

The following diagram sets forth the shareholding and corporate structure of the Group immediately prior to the completion of the Restructuring:



Key:  
 □ Company and the Retained Subsidiaries  
 □ Excluded Subsidiaries  
 # In Liquidation

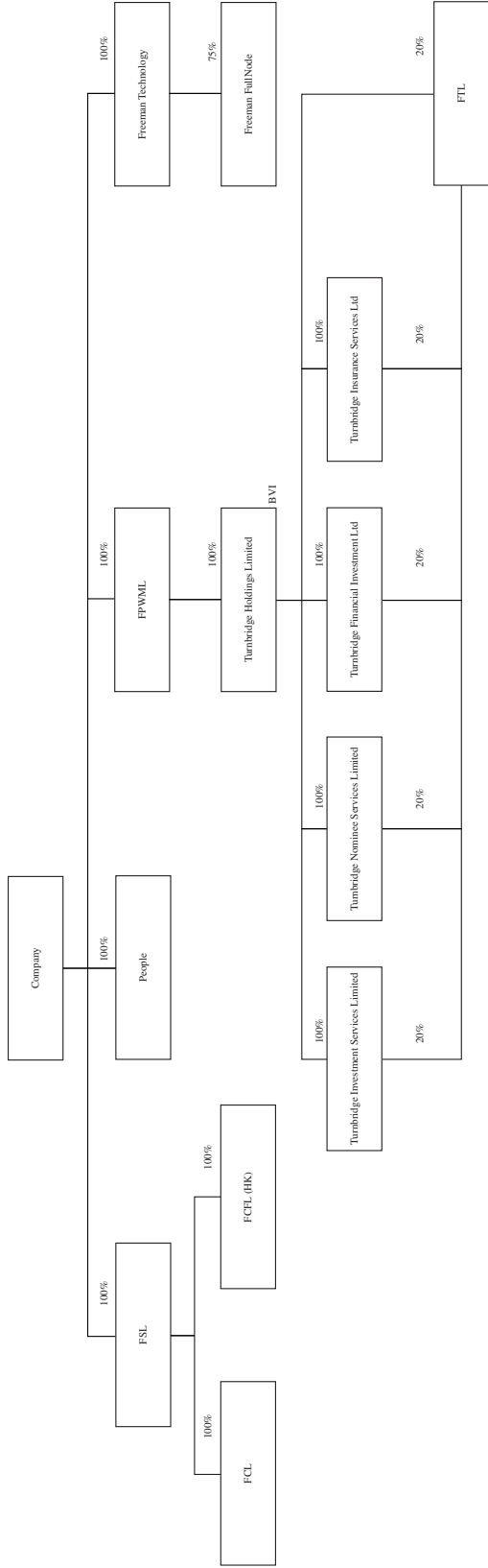
NOTE:  
 1. Each of the Turnbridge Companies is a special purpose vehicle with no business operation incorporated by the Company for the sole purpose of holding the shares in FTL upon Completion.  
 2. Freeman Technology is incorporated by the Company for the sole purpose of holding the shares in Freeman FullNode. As at the Latest Practicable Date, Freeman Technology has no business operation.  
 3. Freeman FullNode is held as to 75% by Freeman Technology and 25% by an Independent Third Party and incorporated for the purpose of designing, developing and enhancing the proprietary FinTech of the Retained Group. As at the Latest Practicable Date, Freeman FullNode has no business operation.



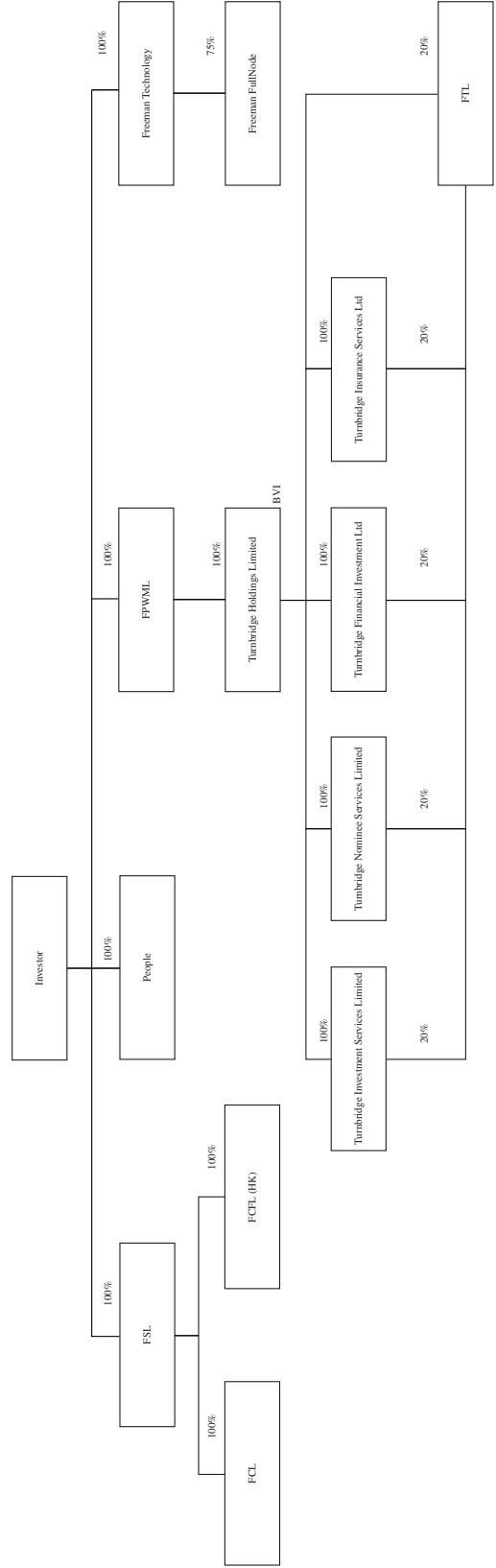
# LETTER FROM THE PROVISIONAL LIQUIDATORS

## Corporate Structure of the Group immediately after the completion of the Restructuring

(1) The following diagram sets forth the shareholding and corporate structure of the Retained Group immediately after the Resumption:



(2) The following diagram sets forth the shareholding and corporate structure of the Retained Group immediately after the Acquisition in the event that the Resumption is not approved by the Stock Exchange by the Long Stop Date:



---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

**Set out below is a list of the Excluded Subsidiaries:**

<b>Company name</b>	<b>Place of incorporation</b>	<b>Principal business</b>
AUL	BVI	Investment holding
Asia Hunter Global Limited	BVI	Investment holding
Bockscar Limited	BVI	Investment holding
Classic Rank Limited	BVI	Investment holding
DUL	BVI	Investment holding
Eastern Sunny Limited	Hong Kong	Management services
Elffey Finance Limited	BVI	Investment holding
Elffey International Trading Co., Limited	Hong Kong	Investment holding
Eternity Capital Limited	Hong Kong	Investment holding
Freeman Asset Management Limited	Hong Kong	Dormant company
Freeman Agency Services Limited	BVI	Investment holding
Freeman Capital Limited	BVI	Investment holding
Freeman Capital Limited	Hong Kong	Business operation has not been commenced
Freeman Capital Limited	Cayman Islands	Dormant company
Freeman China Limited	Hong Kong	Investment holding
Freeman Commercial Finance Limited	BVI	Investment holding
Freeman Commodities Limited	BVI	Investment holding
FCFL(BVI)	BVI	Investment holding
Freeman Corporation	Cayman Islands	Investment holding
Freeman Corporation Limited	Hong Kong	Investment holding
Freeman Dynasty Services Company Limited	Hong Kong	Management services
Freeman Entertainment Limited	BVI	Investment holding
Freeman F.C. Limited	Hong Kong	Provision of advertising services
Freeman Financial Corporation Limited	Hong Kong	Dormant company
Freeman Financial Holdings Limited	Hong Kong	Dormant company
FFIC	Cayman Islands	Investment holding
Freeman Financial Investment Limited	Hong Kong	Investment holding
Freeman Financial Services Limited	Hong Kong	Investment holding
Freeman FinTech Business Park Limited	BVI	Investment holding
Freeman Futures (Hong Kong) Limited	Hong Kong	Business operation has not been commenced
Freeman Immigration Consulting Limited	BVI	Investment holding
Freeman Immigration Consulting Limited	Hong Kong	Business operation has not been commenced
Freeman International Limited	Hong Kong	Investment holding
Freeman Insurance Services Limited	Hong Kong	Investment holding
Freeman Investment Consultancy (H.K.) Limited	Hong Kong	Investment holding

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

Company name	Place of incorporation	Principal business
Freeman Investment Management Limited	BVI	Investment holding
Freeman Investment Management Limited	Hong Kong	Dormant company
Freeman Investment Services Limited	Hong Kong	Investment holding
Freeman Leasing Limited	Hong Kong	Investment holding
Freeman Multi-Asset Fund SPC	Cayman Islands	Fund structure used in the provision of asset management service
Freeman Multi-Income Fund SPC	Cayman Islands	Fund structure used in the provision of asset management service
Freeman Nominee Services Limited	Hong Kong	Investment holding
Freeman Supply Chain Limited	Hong Kong	Investment holding
Freeman Telecom Group Company Limited	BVI	Investment holding
Freeman Telecom Group Company Limited	Hong Kong	Dormant company
Freeman Trading Limited	Hong Kong	Dormant company
Freeman Trading Limited	BVI	Investment holding
Freeman Union Limited	BVI	Investment holding and trading of securities
FUIL	Hong Kong	Investment holding
FU Securities	BVI	Investment holding
Gold Glory Limited	BVI	Investment holding
Hansom Finance Limited	Hong Kong	Provision of finance
HFSL	BVI	Investment holding
More Wins Ltd.	BVI	Investment holding
Prime Kingdom Limited	Hong Kong	Secretarial services
SSCL	PRC	Securities brokerage, securities underwriting and sponsoring, securities trading and securities asset management-related businesses in the PRC
Spectacular Bid Limited	BVI	Investment holding
Supreme Host Holdings Limited	Hong Kong	Management services
Tron Corporation	BVI	Investment holding
Wins Finance Holdings Inc.	Cayman Islands	Investment holding
Freeman Supply Chain (Shenzhen) Limited* (民眾供應鏈(深圳)有限公司)	PRC	Provision of supply chain management and other services

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

Company name	Place of incorporation	Principal business
Freeman Investment Consulting (Shenzhen) Limited* 民眾投資諮詢(深圳)有限公司	PRC	Provision of investment consulting service
Qianhai Freeman Fu An Holdings (Shenzhen) Limited* (前海民眾富安控股(深圳)有限公司)	PRC	Dormant company
Qianhai Freeman Regal Holdings (Shenzhen) Limited* (前海民眾富豪控股(深圳)有限公司)	PRC	Dormant company
Qianhai Freeman Manulife Holdings (Shenzhen) Limited* (前海民眾宏利控股(深圳)有限公司)	PRC	Dormant company
Qianhai Freeman Financial Leasing (Shenzhen) Limited* (前海民眾融資租賃(深圳)有限公司)	PRC	Provision of finance leasing service
Qianhai Freeman Shengda Investment Consulting (Shenzhen) Limited* (前海民眾盛達投資諮詢(深圳)有限公司)	PRC	Dormant company
Tianjin Zhonghui Yintong Commercial Factoring Limited* (天津中慧銀通商業保理有限公司)	PRC	Provision of factoring service

### IMPLICATIONS UNDER THE TAKEOVERS CODE

#### Whitewash Waiver

As at the date of the Restructuring Deed and the Latest Practicable Date, the Investor and parties acting in concert with it do not hold any Shares or other securities of the Company. If the Resumption is approved by the Stock Exchange and the conditions relevant to the First Loan Conversion and the Subscription as set out in the Restructuring Deed are fulfilled, the Investor and parties acting in concert with it will become interested in 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. Assuming there is no Further Drawdown, the number of the Shares which the Investor and parties acting in concert with it will become interested in pursuant to the First Loan Conversion and the Subscription shall amount to 14,945,409,504 Shares.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

Accordingly, pursuant to Rule 26.1 of the Takeovers Code, the Investor and the parties acting in concert with it will be required to make an unconditional mandatory general offer for all the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company (other than those already owned or agreed to be acquired or held by the Investor and the parties acting in concert with it), unless the Whitewash Waiver is granted by the Executive. In this respect, the Investor has made an application to the Executive under the Takeovers Code for the Whitewash Waiver to relieve them from their obligation to make a mandatory general offer as a result of the completion of the First Loan Conversion, the Subscription and the issue of the Scheme Shares. The Executive has indicated that it will grant the Whitewash Waiver subject to, among others, the approval of the Restructuring by more than 50% of the votes cast by the Independent Shareholders by way of poll at the EGM and approval of the Restructuring by more than 50% of the votes cast by the Independent Shareholders by way of poll at the EGM and approval of the Whitewash Waiver by at least 75% of the votes cast by the Independent Shareholders by way of poll at the EGM in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code.

As the shareholding of the Investor will exceed 50% of the issued share capital of the Company following the completion of the First Loan Conversion, the Subscription and the issue of the Scheme Shares, the Investor may increase its shareholding in the Company through, among others, the Second Loan Conversion, without incurring any further obligation to make a general offer under the Takeovers Code.

If the Whitewash Waiver was not granted by the Executive or not approved by the Independent Shareholders, the Subscription will not proceed, and therefore, the Resumption would not be approved by the Stock Exchange and the Acquisition SPA shall take effect.

### **Special Deals**

#### ***Special Deal I***

Based on the records available to the Provisional Liquidators, as at the Latest Practicable Date, the ultimate beneficial owner of the LC Secured Lender was indirectly interested in 3,485,294 Shares, representing approximately 0.19% of the issued share capital of the Company.

As the proposed partial settlement of the indebtedness due to the LC Secured Lender through (a) the payment of the LC Agreed Consideration; and (b) the assignment of certain assets of the Licensed Corporations is not extended to all the other Shareholders, such settlement of indebtedness constitutes a special deal under Rule 25 of the Takeovers Code.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

### *Special Deal II*

Based on the records available to the Provisional Liquidators, as at the Latest Practicable Date, the ultimate beneficial owner of the SSCL Secured Creditor was indirectly interested in 3,485,294 Shares, representing approximately 0.19% of the issued share capital of the Company.

As the proposed partial settlement of the indebtedness due to the SSCL Secured Creditor and the LC Secured Lender through the payment of the proceeds of the SSCL Disposal is not extended to all the other Shareholders, such settlement of indebtedness constitutes a special deal under Rule 25 of the Takeovers Code.

### *Special Deal III*

As:

- (a) any shortfall amount between the indebtedness due to the LC Secured Lender and the proposed settlement sum under Special Deal I and Special Deal II would be included in and settled by the ListCo Schemes;
- (b) any shortfall amount between the indebtedness due to the SSCL Secured Creditor and the proposed settlement sum under Special Deal II would be included in and settled by the ListCo Schemes;
- (c) based on the records available to the Provisional Liquidators, as at the Latest Practicable Date, Huarong Macau, being one of the ListCo Creditors, was directly interested in 1,649,294 Shares, representing approximately 0.09% of the issued share capital of the Company. In addition, the ultimate beneficial owner of 51% equity interest in Huarong Macau is indirectly interested in 1,836,000 Shares through another subsidiary, namely Coastal Treasure, which, together with its indirect interest in 1,649,294 Shares held by Huarong Macau, represent approximately 0.19% of the issued share capital of the Company; and
- (d) the proposed settlement of the indebtedness due to each of the LC Secured Lender, the SSCL Secured Creditor and Huarong Macau under the ListCo Schemes is not extended to all the other Shareholders,

such settlement of indebtedness constitutes a special deal under Rule 25 of the Takeovers Code.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

As such, each of Special Deal I, Special Deal II and Special Deal III requires consent by the Executive. An application has been made to the Executive for the consent to proceed with the Special Deals under Rule 25 of the Takeovers Code. Such consent, if granted, will be subject to (a) an independent financial adviser to the Independent Shareholders publicly stating in its opinion that the respective terms of the Special Deals are fair and reasonable; and (b) approval of the Special Deals by the Independent Shareholders at the EGM, in which the Investor, the ListCo Creditors (including the LC Secured Lender, the SSCL Secured Creditor and Huarong Macau), the Scheme Administrators, the ListCo Schemes SchemeCo, their associates, and the parties acting in concert with any of them (including Coastal Treasure), and those (if any) who are involved in or interested in the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver or the Special Deals will be required to abstain from voting in respect of the resolutions to approve the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals.

Save as disclosed above, as at the Latest Practicable Date, none of the ListCo Creditors and their respective ultimate beneficial owners was a Shareholder.

### IMPLICATIONS UNDER THE LISTING RULES

#### Specific Mandate

As (a) the First Loan Conversion Shares; (b) the Subscription Shares; (c) the Scheme Shares; and (d) the Second Loan Conversion Shares (if any) will be allotted and issued under the Specific Mandate to be obtained at the EGM, the allotment and issue of such Shares is subject to the Independent Shareholders' approval.

#### Exceptional circumstances for Rule 7.27B

Pursuant to Rule 7.27B, a listed issuer may not undertake a rights issue, open offer or specific mandate placings that would result in a theoretical dilution effect of 25% or more, unless the Stock Exchange is satisfied that there are exceptional circumstances. The First Loan Conversion, the Subscription, the ListCo Schemes and the Second Loan Conversion (if any) in aggregate will result in a theoretical dilution effect of approximately 77.35%, which is over the 25% threshold as specified under Rule 7.27B. However, the Company is of the view that there are exceptional circumstances for the Company having considered the adverse financial position of the Company.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

As disclosed in the paragraph headed “Background of the Restructuring” in this letter, (a) a winding-up petition was filed against the Company by the Petitioner in May 2019, and subsequently the Provisional Liquidators were appointed in February 2020; and (b) as at 31 March 2021, based on the available books and records of the Company, the estimated total amount of claims against, and the liabilities of, the Company was approximately HK\$4.21 billion. Furthermore, the Group incurred a loss attributable to ordinary equity holders of the Company of approximately HK\$352.1 million for the six months ended 30 September 2020, and the net liabilities of the Group reached approximately HK\$2,544 million as at 30 September 2020. For details, please refer to the interim report of the Company for the six months ended 30 September 2020. Given the above, the Group is currently insolvent and in financial difficulties.

Therefore, the First Loan Conversion, the Subscription, the allotment and issue of the Schemes Shares and the Second Loan Conversion (if any), which form part of the rescue proposal of the Company, are essential to the Resumption.

Having considered (a) the adverse financial position of the Company and the imminent funding needs of the Company; and (b) most key assets of the Group had already been pledged to the Secured Creditors, the executive Directors, the non-executive Directors and the Provisional Liquidators are of the view that it is impracticable for the Company to consider alternative fund raising methods.

In light of the above, the Company considers (a) there are exceptional circumstances for the Company to undertake the First Loan Conversion, the Subscription, the ListCo Schemes and the Second Loan Conversion (if any) which in aggregate would result in a theoretical dilution effect of over 25%; and (b) the First Loan Conversion, the Subscription, the ListCo Schemes and the Second Loan Conversion (if any) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Please refer to the paragraph headed “Price of the First Loan Conversion Shares, the Subscription Shares and the Second Loan Conversion Shares” in this letter for further details.

### **LISTING APPLICATION**

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the First Loan Conversion Shares, the Subscription Shares, the Scheme Shares and the Second Loan Conversion Shares (if any).



---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

Subject to the granting of the approval for the listing of, and permission to deal in, the First Loan Conversion Shares, the Subscription Shares, the Scheme Shares and the Second Loan Conversion Shares (if any) on the Stock Exchange, the First Loan Conversion Shares, the Subscription Shares, the Scheme Shares and the Second Loan Conversion Shares (if any) will be accepted as eligible securities for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the First Loan Conversion Shares, the Subscription Shares, the Scheme Shares and the Second Loan Conversion Shares (if any) on the Stock Exchange or such other date as determined by HKSCC. Dealings in the First Loan Conversion Shares, the Subscription Shares, the Scheme Shares and the Second Loan Conversion Shares (if any) may be settled through CCASS. Shareholders should seek the advice of their licensed securities dealers or other professional advisers for details of these settlement arrangements and how such arrangements will affect their rights and interests. Dealings in the First Loan Conversion Shares, the Subscription Shares, the Scheme Shares and the Second Loan Conversion Shares (if any), will be subject to the payment of stamp duty in Hong Kong (where applicable).

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange. No new class of securities is to be listed pursuant to the First Loan Conversion, the Subscription, the issue of the Scheme Shares and the Second Loan Conversion (if any), and accordingly no arrangements are required to be made to enable the First Loan Conversion Shares, the Subscription Shares, the Scheme Shares and the Second Loan Conversion Shares (if any) to be admitted into CCASS. The First Loan Conversion Shares, the Subscription Shares, the Scheme Shares and the Second Loan Conversion Shares (if any) will not be listed or traded on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or proposed to be sought.

### **BOARD COMPOSITION OF THE COMPANY AND PROPOSED APPOINTMENT OF PROPOSED DIRECTORS**

As at the Latest Practicable Date, the Board comprised two executive Directors, namely Mr. Choi Wai Hong, Clifford and Mr. Yau Pak Yue, two non-executive Directors, namely Ms. Ang Mei Lee Mary and Mr. Chung Wai Man, and three independent non-executive Directors, namely Mr. An Dong, Mr. Fung Tze Wa and Mr. Wu Keli. Upon Completion, the existing Directors will resign as directors of the Company and it is proposed that Mr. Xu Hao and Mr. Han Kam Leung (Michael) will be appointed as executive Directors, and Mr. Fung Sing Hong Stephen, Ms. Ling Kit Sum Imma and Mr. Xu Haohao will be appointed as independent non-executive Directors upon Completion. The appointment of the abovementioned proposed Directors shall require the approval of more than 50% of the votes cast by the Independent Shareholders at the EGM by poll.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

Set out below are the biographical details of the existing Directors and the proposed Directors:

### Existing executive Directors

*(a) Mr. Choi Wai Hong, Clifford*

Mr. Choi Wai Hong, Clifford (“**Mr. Choi**”), aged 63, has been appointed as an executive Director and an authorised representative of the Company by the Provisional Liquidators with effect from 19 November 2020. He obtained a finance degree in finance and accounting from The Victoria University of Manchester, United Kingdom, in 1982. Mr. Choi is a member of (i) The Hong Kong Institute of Certified Public Accountants; (ii) The Institute of Chartered Accountants in England and Wales; (iii) The Association of Chartered Certified Accountants; and (iv) The Taxation Institute of Hong Kong. Mr. Choi currently holds the Hong Kong Institute of Certified Public Accountants Practising Certificate. Mr. Choi joined Price Waterhouse (currently known as PricewaterhouseCoopers) in Hong Kong in January 1983 and departed in July 1992 with his last position as manager. He was subsequently a general manager in DCH MSC (China) Limited, NHK Distribution Company Limited and Porsche Centre Hangzhou respectively from July 1992 to June 1999, July 1999 to December 2003 and January 2004 to August 2012. He then joined Princess Yacht Southern China Limited as a chief executive officer from September 2012 to November 2012 and later on as a director in the NHK Yacht Services division of NHK Distribution Company Limited from 2 December 2012 to August 2017. Mr. Choi then joined Beijing Glory Star Centre Automotive Sales and Service Company Limited\* (北京極光星徽汽車銷售服務有限公司) as its general manager from September 2017 to January 2018. He has re-joined NHK Distribution Company Limited since February 2018 and currently serves as its director. Mr. Choi is also an independent non-executive director of Samson Paper Holdings Limited (Provisional Liquidators Appointed), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 731) and Xinming China Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2699), since 16 July 2020 and 16 April 2021, respectively.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

*(b) Mr. Yau Pak Yue*

Mr. Yau Pak Yue (“**Mr. Yau**”), aged 52, has been appointed as an executive Director and an authorised representative of the Company with effect from 1 July 2020. He obtained his Bachelor of Commerce (majoring in Accountancy) from the University of Wollongong in Australia. He was the chief knowledge officer of Guangzhou Chengfa Capital Company Limited, a state-owned fund management company, from May 2015 to January 2017. Prior to that, he was the chief executive officer of Taiyang International Cold Chain (Group) Limited from March 2014 to July 2014, and a partner at one of the big four international accounting firms from June 2005 to November 2012. He has over 23 years of experience in mergers and acquisitions transaction supports and financial due diligence. Mr. Yau is currently the executive director of EWIN Advisory Company Limited. Mr. Yau is also a certified public accountant in Hong Kong and a certified practising accountant in Australia. Mr. Yau also served as an independent non-executive director of KEE Holdings Company Limited (currently known as China Apex Group Limited), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2011) from July 2017 to July 2019 and Ascent International Holdings Limited (currently known as China International Development Corporation Limited), the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 264) from September 2017 to August 2018. Mr. Yau has been a non-executive director of Daisho Microline Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 567), an independent non-executive director of Fullsun International Holdings Group Co., Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 627) and an independent non-executive director of Hifood Group Holdings Co., Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 442) since September 2020, December 2020 and May 2021, respectively.

### **Existing non-executive Directors**

*(a) Ms. Ang Mei Lee Mary*

Ms. Ang, aged 57, has been appointed as a non-executive Director by the Provisional Liquidators with effect from 17 December 2020 and currently serves as a director of certain subsidiaries of the Company. Ms. Ang graduated from City Polytechnic of Hong Kong (currently known as City University of Hong Kong) and holds a Diploma in Accounting. She has extensive experience in audit, company secretary and corporate finance.

Ms. Ang acted as an executive director of Ocean Grand Chemicals Holdings Limited (currently known as Hong Kong Resources Holdings Company Limited), the shares of which are listed on the Stock Exchange (stock code: 2882) from August 2008 to October 2008 and Ocean Grand Holdings Limited (currently known as Zhidao International (Holdings) Limited), the shares of which are listed on the Stock Exchange (stock code: 1220) from September 2008 to January 2012.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

*(b) Mr. Chung Wai Man*

Mr. Chung, aged 62, has been appointed as a non-executive Director by the Provisional Liquidators with effect from 17 December 2020 and currently serves as a director of certain subsidiaries of the Company. Mr. Chung holds a Diploma in Business Management from the Hong Kong Management Association and a Certificate of Bank of China Banking Course. He has over 24 years of experience in finance and business consulting.

Mr. Chung started working in The Kwangtung Provincial Bank in 1976, and his last position before leaving the bank in 1996 was a manager in charge of the Tai Po sub-branch. After his departure from The Kwangtung Provincial Bank, Mr. Chung established Raymond Chung Company in 1996, a finance and business consulting firm for corporations in Hong Kong. In 2004, he set up another consulting firm, Excel Linker Capital (Asia) Limited, to provide similar consultancy services. Due to duplicity of the business nature, Raymond Chung Company was closed in September 2006. In 2009, Mr. Chung applied to deregister Excel Linker Capital (Asia) Limited as he decided to quit the consultancy services market.

Mr. Chung acted as an independent non-executive director of United Gene High-Tech Group Limited (currently known as Innovative Pharmaceutical Biotech Limited), the shares of which are listed on the Stock Exchange (stock code: 399) from March 2007 to May 2009, FU JI Food and Catering Services Holdings Limited (currently known as Fresh Express Delivery Holdings Group Co., Limited), the shares of which are listed on the Stock Exchange (stock code: 1175) from June 2011 to July 2013, China Kingstone Mining Holdings Limited (stock code: 1380) from February 2013 to July 2015, Fuguiniao Co., Ltd. (stock code: 1819, the shares of which were delisted on 26 August 2019) from September 2017 to May 2018, China Taifeng Beddings Holdings Limited (stock code: 873, the shares of which were delisted on 21 February 2019) from November 2018 to February 2019 and Centron Telecom International Holding Ltd. (stock code: 1155, the shares of which were delisted on 1 December 2020) from April 2018 to February 2020. He acted as an independent non-executive director from January 2009 to August 2013 and a non-executive director from August 2013 to September 2014 of U-RIGHT International Holdings Limited (currently known as Fullsun International Holdings Group Co., Limited), the shares of which are listed on the Stock Exchange (stock code: 627). Since June 2017, Mr. Chung has been an independent non-executive director of China Huishan Dairy Holdings Company Limited (stock code: 6863, the shares of which were delisted on 23 December 2019).

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

### Existing independent non-executive Directors

*(a) Mr. An Dong*

Mr. An Dong (“**Mr. An**”), aged 50, was appointed as an independent non-executive Director in August 2017. Mr. An holds a Master’s degree in Laws from the China University of Political Science and Law, and has participated in the Private Equity Investment Program of Peking University HSBC Business School. Mr. An holds the Lawyer’s License of People’s Republic of China, and the Professional Qualifications Certificate (intermediate level) issued by the China General Chamber of Commerce. Mr. An has extensive experience in legal affairs in corporate and banking sector, and he is specialised in asset restructuring, equity transfer, merger and acquisition, share issuance, real estate operation and investment, private equity management, and financial and economic litigation. Mr. An is a partner of a law firm in China and also a general manager of an investment management company in China.

*(b) Mr. Fung Tze Wa*

Mr. Fung Tze Wa (“**Mr. Fung**”), aged 64, was appointed as an independent non-executive Director in January 2017. Mr. Fung is a certified public accountant and a director of an accounting firm in Hong Kong. Mr. Fung has many years of experience in auditing, taxation and company secretarial practice in Hong Kong. He obtained a master degree in professional accounting from the Hong Kong Polytechnic University in 2000. He is a member of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, The Taxation Institute of Hong Kong and The Society of Chinese Accountants and Auditors.

*(c) Mr. Wu Keli*

Mr. Wu Keli (“**Mr. Wu**”), aged 53, was appointed as an independent non-executive Director in October 2016. Mr. Wu holds a Master’s degree and a Bachelor’s degree in Economics from the Capital University of Economics and Business in China. Mr. Wu has extensive experience in the regulation and development of the financial services industry in China. Mr. Wu is a general manager of a supply chain management company in China.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

### Proposed executive Directors

(a) *Mr. Xu Hao*

Mr. Xu Hao, aged 37, is proposed to be appointed as an executive Director upon Completion.

Mr. Xu Hao is currently the managing director of Avantua Capital Management Limited and is responsible for the overall business operation and strategic direction. Mr. Xu Hao has extensive experience in the field of investment management, capital markets and corporate finance. Prior to joining Avantua Capital Management Limited, Mr. Xu Hao was the group vice president of Kaisa Group Holding Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1638), overseeing Kaisa Group Holding Limited's offshore businesses from October 2018 to April 2020, the chief executive officer of Kaisa Financial Group, where he was responsible for the overall business operation of the Group from October 2018 to April 2020, and the president of Kaisa Group Holdings (International) Limited from August 2015 to October 2018. Mr. Xu Hao also served as a non-executive Director from December 2016 to February 2019, and was re-designated as an executive director of Kaisa Health Group Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 876) from February 2019 to March 2020 and a non-executive director of Namtai Group Limited, the shares of which are listed on the New York Stock Exchange in 2003 (NYSE symbol: NTP) from August 2018 to June 2020. Before that, Mr. Xu Hao worked in the China investment banking division of ABN Amro/RBS as well as other private equity firms.

Mr. Xu Hao holds a Bachelor's Degree in Accounting and Finance from the London School of Economics and a Master's Degree in Real Estate Finance from the University of Cambridge.

(b) *Mr. Han Kam Leung (Michael)*

Mr. Han Kam Leung (Michael) ("**Mr. Han**"), aged 48, is proposed to be appointed as an executive Director upon Completion. Mr. Han has been appointed as the director of FPWML since December 2020.

Mr. Han has more than 26 years of experience in the insurance industry in Asia Pacific. Mr. Han worked in a number of renowned international insurance firms including Taishan Insurance Brokers (HK) Company Limited from November 2002 to January 2006, MSIG Insurance Hong Kong Ltd. from January 2006 to July 2011, Mitsui Sumitomo Insurance Company Limited from July 2011 to July 2016 and Fairfax Insurance Group from April 2017 to August 2018. Subsequently, Mr. Han was the head of Small and Medium Enterprises Corporation at American International Group, Inc. from August 2018 to December 2020 and was responsible for portfolio management in Hong Kong and Macau. During his career, Mr. Han established new digital insurance business development and lined up cross boarder businesses.

Mr. Han obtained a Diploma in Insurance Studies from the Hong Kong Polytechnic University and is the Senior Associate of the Australian and New Zealand Institute of Insurance and Finance.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

### Proposed independent non-executive Directors

*(a) Mr. Fung Sing Hong Stephen*

Mr. Fung Sing Hong Stephen (“**Mr. Fung**”), aged 57, is proposed to be appointed as an independent non-executive Director upon Completion. Mr. Fung has been the founder and chairman of Head Treasure Investment Limited since April 2020 and the group senior advisor of China South City Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1668) since April 2020. Mr. Fung has more than 30 years of experience in financial management, mergers and acquisitions, capital markets and corporate restructuring. Previously, Mr. Fung served various positions in China South City Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1668), including the chief financial officer from July 2006 to May 2016, an executive director from August 2014 to April 2020, the chief executive officer from January 2016 to May 2017 and the group vice chairman from May 2017 to April 2020. Mr. Fung was also an executive director and the chief financial officer of Guangdong Investment Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 270) from December 2004 to July 2006, and an executive director and the chief financial officer of Kingway Brewery Holdings Limited (subsequently known as Guangdong Brewery Holdings Limited and now known as Guangdong Land Holdings Limited), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 124) from December 2002 to April 2005.

Mr. Fung is the President of Hong Kong Business Accountants Association and a Standing Member of the 5th Chongqing Committee of the Chinese People’s Political Consultative Conference. He is also an Advisor of the National Management Accounting Advisory Committee, Ministry of Finance.

Mr. Fung graduated from the University of Wales with a Master’s Degree in Business Administration. Mr. Fung is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the American Institute of Certified Public Accountants and the Chartered Global Management Accountants, a fellow member of the Hong Kong Institute of Directors and an executive committee member of the Hong Kong Professionals and Senior Executives Association.

*(b) Ms. Ling Kit Sum Imma*

Ms. Ling Kit Sum Imma (“**Ms. Ling**”), aged 66, is proposed to be appointed as an independent non-executive Director upon Completion. Ms. Ling has over 30 years of experience in accounting and auditing. She was an assurance partner of PricewaterhouseCoopers and retired in June 2013. Ms. Ling has been an independent non-executive director of Digital Hollywood Interactive Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2022) since November 2017, Wise Ally International Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 9918) since December 2019, Raymond Industrial Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 229) since June 2020, and EVA Precision Industrial Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 838) since July 2020.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

Ms. Ling has also served as a member of the Appeal Board Panel (Town Planning) since 2016, a board member of The Estate Agents Authority since 2015, a council member of The Education University of Hong Kong since 2015, a board member of Hospital Governing Committee since 2015, and a board member of Employees Compensation Assistance Fund since 2012.

Ms. Ling graduated from The Hong Kong Polytechnic University with Diploma in Accountancy and obtained the Master of Science in Corporate Governance and Directorship from Hong Kong Baptist University. She is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants, a member of the Chartered Professional Accountants, Canada, and an accredited general mediator of the Hong Kong Mediation Accreditation Association Limited.

*(c) Mr. Xu Haohao*

Mr. Xu Haohao, aged 37, is proposed to be appointed as an independent non-executive Director upon Completion. Mr. Xu Haohao has been an executive director and the chief executive officer of Man Sang International Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 938) since July 2019 and September 2019, respectively. Mr. Xu Haohao has over 15 years of experience in financial and corporate management. Previously, Mr. Xu Haohao served as an executive director of CWT International Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 521) from December 2014 to June 2019 and held various senior management positions including the co-chairman, the chief executive officer, the executive president, the chairman of the nomination committee, the chairman of the executive committee and the chairman of investment committee during his term of service. Mr. Xu Haohao was also a non-executive director of AID Life Science Holdings Limited, the shares of which are listed on GEM of the Stock Exchange (stock code: 8088) from November 2016 to September 2019, a director of HY Energy Group Co., Ltd., an A-Shares listed company on the Shanghai Stock Exchange (stock code: 600387), from May 2018 to May 2019 and the general manager, finance of Hong Kong Airlines Limited from September 2012 to March 2014.

Mr. Xu Haohao holds a bachelor's degree in Financial Administration from University of Winnipeg, Canada and an EMBA Degree from the City University of Hong Kong.

**Proposed company secretary**

*Ms. Li Chuchu (Tracy)*

Ms. Li Chuchu (Tracy) (“**Ms. Li**”), aged 31, is proposed to be appointed as the company secretary of the Company immediately upon the Resumption. Ms. Li is currently the executive director of Avantua Capital Management Limited and is responsible for investment and financial management. Ms. Li has extensive experience in private equity investment, post-investment management, financial advisory and risk management.



---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

Prior to joining Avantua Capital Management Limited in May 2020, Ms. Li was an investment director at a private investment firm from December 2017 to April 2020. From April 2015 to December 2017, Ms. Li was a manager in Advisory services of KPMG and was responsible for due diligence, regulatory compliance, risk management and corporate governance. From September 2012 to March 2015, she worked as an assistant manager in Audit services of KPMG.

Ms. Li obtained her Bachelor of Business Administration in Professional Accountancy from The Chinese University of Hong Kong in 2012. She is a member of Hong Kong Institute of Certified Public Accountants (HKICPA).

### **CONSENT TO EXCLUDE ALL THE CURRENT INDEPENDENT NON-EXECUTIVE DIRECTORS FROM THE RESPONSIBILITY STATEMENT**

Pursuant to Rule 9.3 of the Takeovers Codes, all documents issued by the Company in relation to the Restructuring, the Whitewash Waiver and the Special Deals should state that all Directors jointly and severally accept full responsibility for the accuracy of information contained in the document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the document have been arrived at after due and careful consideration and there are no other facts not contained in the document, the omission of which would make any statement in the document misleading.

As at the Latest Practicable Date, the Board comprised (a) two executive Directors, namely Mr. Yau Pak Yue and Mr. Choi Wai Hong Clifford, and two non-executive Directors, namely Ms. Ang Mei Lee Mary and Mr. Chung Wai Man, who were appointed by the Provisional Liquidators and authorised by the Provisional Liquidators to assist the Provisional Liquidators in performing their functions, including carrying out the Restructuring; and (b) three independent non-executive Directors who were appointed prior to the appointment of the Provisional Liquidators.

Since the appointment of the Provisional Liquidators by the Court 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 carrying out the Restructuring and only the executive Directors, Mr. Choi and Mr. Yau and the non-executive Directors, Ms. Ang and Mr. Chung, have been so authorised; and (c) no current independent non-executive Directors has been involved in any affairs of the Company or the Restructuring.

Given the above, the Provisional Liquidators have applied to the Executive, and the Executive has granted consent pursuant to Rule 9.4 of the Takeovers Code to exclude all the current independent non-executive Directors from the responsibility statement given in all documents issued or to be issued by the Company in relation to the Restructuring including the Whitewash Waiver and the Special Deals.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

### EGM

The EGM will be convened and held by the Company at 4:00 p.m. on Thursday, 17 June 2021 at Lecture Hall, 4/F, Duke of Windsor Social Service Building, Wanchai, Hong Kong for the Independent Shareholders to consider and, if thought fit, to approve, among others, the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals.

The Investor, the ListCo Creditors (including the LC Secured Lender, the SSCL Secured Creditor and Huarong Macau), the Scheme Administrators, the ListCo Schemes SchemeCo, their associates, and the parties acting in concert with any of them (including Coastal Treasure), and those (if any) who are involved in or interested in the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver or the Special Deals shall abstain from voting in respect of the resolutions to approve the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals. As at the Latest Practicable Date, the ultimate beneficial owner of the LC Secured Lender, the SSCL Secured Creditor and Huarong Macau was indirectly interested in (a) 1,649,294 Shares through Huarong Macau, which represent approximately 0.09% of the issued share capital of the Company; and (b) 1,836,000 Shares through Coastal Treasure, which represent approximately 0.1% of the issued share capital of the Company.

The passing of the resolution(s) in relation to the Restructuring, the grant of the Specific Mandate and the Special Deals shall require the approval of more than 50% of the votes cast by the Independent Shareholders at the EGM by poll. In addition, the passing of the resolution in relation to the Whitewash Waiver shall require the approval of at least 75% of the votes cast by the Independent Shareholders.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the EGM or any adjournment thereof. Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof. In such event, your form of proxy will be deemed revoked.

Voting on the resolutions at the EGM will be taken by poll. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

### INDEPENDENT FINANCIAL ADVISER

As (a) no current independent non-executive Directors has been involved in any affairs of the Company or the Restructuring; and (b) the existing non-executive Directors were appointed by the Provisional Liquidators and as such are not suitable to be appointed to the independent board committee, an independent board committee cannot be formed to make recommendations to the Independent Shareholders in respect of voting on the resolutions to approve the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals at the EGM. Veda Capital has been appointed as the Independent Financial Adviser to advise the Independent Shareholders in respect of voting on the resolutions to approve the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals at the EGM.

### RECOMMENDATION

Your attention is also drawn to the letter from the Independent Financial Adviser set out on pages 91 to 137 in this circular which contains its advice to the Independent Shareholders (i) as to whether the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals are fair and reasonable; and (ii) as to voting at the EGM in relation to the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals, and the principal factors and reasons considered by it in arriving at its opinion.

The Provisional Liquidators, the executive Directors and the non-executive Directors consider that the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals are fair and reasonable and are in the best interest of the Company and the Independent Shareholders as a whole. Accordingly, the Provisional Liquidators, the executive Directors and the non-executive Directors recommend that the Shareholders should vote in favour of the resolutions, which will be proposed at the EGM, relating to (i) the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals; and (ii) the proposed appointment of proposed Directors.

You are advised to read the letter from the Independent Financial Adviser mentioned above before deciding how to vote on the resolution(s) to be proposed at the EGM.

### ADDITIONAL INFORMATION

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 has submitted the Resumption Proposal to the Stock Exchange on 10 March 2021. The Company will keep the Shareholders and the public informed of the latest developments by making further announcement(s) as and when appropriate.

---

## LETTER FROM THE PROVISIONAL LIQUIDATORS

---

Your attention is drawn to the additional information set out in the appendices to this circular.

Shareholders and potential investors should note that the implementation of the transactions contemplated under the Restructuring Deed are subject to a number of conditions precedent being fulfilled or waived, as applicable, and Completion is subject to such conditions being fulfilled. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

The Stock Exchange has set out the following Resumption Guidance, which is subject to modification and/or further guidance given by the Stock Exchange, for the Company, namely (a) to demonstrate the Company's compliance with Rule 13.24 of the Listing Rules; (b) to have the windingup petition(s) withdrawn or dismissed and the Provisional Liquidators discharged; (c) to inform the market of all material information for the Shareholders and other investors to appraise the Group's position; and (d) to publish all outstanding financial results and address any audit modification(s).

The release of this circular is not an indication that (a) the transactions contemplated under the Restructuring Deed will be implemented and/or completed, or (b) the Resumption has been or will be approved, or (c) trading of the Shares will be resumed, or (d) the approval for the listing of the First Loan Conversion Shares, the Subscription Shares, the Scheme Shares and the Second Loan Conversion Shares (if any) will be granted, or (e) the conditions precedent to the Restructuring pursuant to the Restructuring Deed have been or will be fulfilled, or (f) Completion will take place. Trading of the Shares has been suspended since 28 February 2020 and will remain suspended until further notice.

For and on behalf of  
**Freeman FinTech Corporation Limited**  
**(Provisional Liquidators Appointed)**  
**Lai Kar Yan (Derek)**  
**Ho Kwok Leung Glen**

*Joint and Several Provisional Liquidators  
acting as agents without personal liability*

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*The following is the full text of the letter from Veda Capital setting out the advice to the Independent Shareholders in respect of the terms of the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals, which has been prepared for the purpose of inclusion in the Circular.*

**VEDA | CAPITAL**  
**智 略 資 本**

Suites 1001-1002, 10/F., 299 QRC  
299 Queen's Road Central  
Hong Kong

26 May 2021

*To: Independent Shareholders of  
Freeman Fintech Corporation Limited (Provisional Liquidators Appointed)*

*Dear Sirs,*

**PROPOSED RESTRUCTURING, INVOLVING, INTER ALIA,  
(A) THE RESTRUCTURING DEED;  
(B) PROPOSED ISSUE OF THE FIRST LOAN CONVERSION SHARES, THE  
SUBSCRIPTION SHARES, THE SCHEME SHARES AND THE SECOND  
LOAN CONVERSION SHARES UNDER SPECIFIC MANDATE;  
(C) APPLICATION FOR WHITEWASH WAIVER; AND  
(D) THE SPECIAL DEALS**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Shareholders in respect of the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals, details of which are set out in the Circular dated 26 May 2021 issued by the Company to the Independent Shareholders, of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to letter from the Provisional Liquidators (the “**PL Letter**”) contained in the Circular, following the appointment of the Provisional Liquidators by the Court on 28 February 2020, among other matters, the powers of the Directors have been transferred to and assumed by the Provisional Liquidators and that no current independent non-executive Directors has been involved in any affairs of the Company or the Restructuring. As an independent board committee cannot be formed, the executive Directors, the non-executive Directors and the Provisional Liquidators have approved to appoint us, Veda Capital, as the Independent Financial Adviser to advise the Independent Shareholders in respect of voting on the resolutions to approve the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals at the EGM.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The Investor, the ListCo Creditors (including the LC Secured Lender, the SSCL Secured Creditor and Huarong Macau), the Scheme Administrators, the ListCo Schemes SchemeCo, their associates, and the parties acting in concert with any of them (including Coastal Treasure), and those (if any) who are involved in or interested in the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver or the Special Deals (collectively, the “**Interested Shareholders**”) shall abstain from voting in respect of the resolutions to approve the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals.

The passing of the resolution(s) in relation to the Restructuring, the grant of the Specific Mandate and the Special Deals shall require the approval of more than 50% of the votes cast by the Independent Shareholders at the EGM by poll. In addition, the passing of the resolution in relation to the Whitewash Waiver shall require the approval of at least 75% of the votes cast by the Independent Shareholders.

### **The Restructuring Deed and the Specific Mandate**

On 2 September 2020, the Provisional Liquidators obtained the sanction of the Court to enter into, among others, the Restructuring Deed. 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 ListCo Schemes.

The First Loan Conversion Shares, the Subscription Shares, the Scheme Shares and the Second Loan Conversion Shares (if any) under the Restructuring Deed will be allotted and issued under the Specific Mandate to be obtained upon approval by the Independent Shareholders at the EGM.

### **The Whitewash Waiver**

In the event that the Resumption is approved by the Stock Exchange and the conditions relevant to the First Loan Conversion and the Subscription as set out in the Restructuring Deed are fulfilled, the Investor and parties acting in concert with it will become interested in 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. In view of the foregoing, the Investor has made an application to the Executive under the Takeovers Code for the Whitewash Waiver to relieve it of its obligation to make a mandatory general offer for the Company pursuant to Rule 26.1 of the Takeovers Code following the completion of the First Loan Conversion, the Subscription and the issue of the Scheme Shares. The Whitewash Waiver, when granted, will be subject to, among others, the approval of the Restructuring by more than 50% of the votes cast by the Independent Shareholders by way of poll at the EGM and approval of the Whitewash Waiver by at least 75% of the votes cast by the Independent Shareholders by way of poll at the EGM.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As the shareholding of the Investor will exceed 50% of the issued share capital of the Company following the completion of the First Loan Conversion, the Subscription and the issue of the Scheme Shares, the Investor may increase its shareholding in the Company through, among others, the Second Loan Conversion, without incurring any further obligation to make a general offer under the Takeovers Code.

### **The Special Deals**

Based on the records available to the Provisional Liquidators, as at the Latest Practicable Date, each of the LC Secured Lender, the SSCL Secured Creditor, their respective ultimate beneficial owners and Huarong Macau is, directly and/or indirectly, interested in the Shares. The proposed settlement of indebtedness under each of the Special Deals, respectively, which will not be extended to all the other Shareholders, will constitute special deal transactions under Rule 25 of the Takeovers Code and will be required to obtain consent by the Executive. An application has been made to the Executive for the consent to proceed with the Special Deals under Rule 25 of the Takeovers Code. Such consent, if granted, will be subject to (a) an independent financial adviser to the Independent Shareholders publicly stating in its opinion that the respective terms of the Special Deals are fair and reasonable; and (b) approval of the Special Deals by the Independent Shareholders at the EGM, in which the Interested Shareholders will be required to abstain from voting in respect of the resolutions to approve the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals.

### **OUR INDEPENDENCE**

As at the Latest Practicable Date, we are not associated or connected with the Company or the Investor or their respective directors, controlling shareholders or any party acting, or presumed to be acting, in concert with any of them and accordingly, we are considered eligible to give independent advices on the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals.

During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser, there were no other engagements between us and the Group or the Investor. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or the Investor and the parties acting in concert with any of them. Accordingly, we considered that we are independent pursuant to Rule 2 of the Takeovers Code to act as the Independent Financial Adviser to give independent advices on the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the PL Letter and the representations made to us by the executive Directors and the non-executive Directors and/or the representatives of the Company.

We have assumed that all statements, information and representations provided by the executive Directors and the non-executive Directors and/or the representatives of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Independent Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

We have also assumed that all statements of belief, opinion, expectation and intention made by the executive Directors and the non-executive Directors and/or the representatives of the Company (as the case may be) in the Circular were reasonably made after due enquiries and careful consideration. We have no reason to suspect any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, which would make any statements therein misleading.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have been provided with sufficient information and have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group, the Investor, the Interested Shareholders and their respective subsidiaries or associates (if applicable).

This letter is issued for the information for the Independent Shareholders solely in connection with their consideration of the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendations to the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### 1. Information of the Group

The Group is principally engaged in the financial services sector, including (a) the provision of securities and futures brokerage services, placing, underwriting and margin financing services; (b) the provision of insurance brokerage and financial planning services; (c) the provision of asset management and advisory services; and (d) the provision of corporate finance advisory services.

#### *Suspension of trading in the Shares*

Trading in the Shares has been suspended (the “**Trading Suspension**”) since 28 February 2020 and will remain suspended pending fulfilment of the resumption guidance and such other further guidance that may be imposed by the Stock Exchange (together, the “**Resumption Guidance**”). Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange 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**”).

As at the Latest Practicable Date, the Resumption Guidance are as follows,

- (i) demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules;
- (ii) have the winding-up petition(s) withdrawn or dismissed and the joint and several provisional liquidators discharged;
- (iii) inform the market of all material information for the Shareholders and other investors of the Company to appraise the Group’s position; and
- (iv) publish all outstanding financial results and address any audit modification(s).

As stated in the PL Letter, as at the Latest Practicable Date, the Stock Exchange has not confirmed that the Company has fulfilled the abovementioned Resumption Guidance.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

A resumption proposal has been submitted to the Stock Exchange to set out the action plan of the Company for Resumption, including but not limited to, the execution of the Restructuring Deed and the transactions contemplated thereunder. It is expected that Resumption Guidance (i) and (ii) will be satisfied upon completion of the transactions contemplated under the Restructuring Deed. In short, among other matters, (a) the First Loan will be utilized for the necessary financial resources to facilitate the turnaround of the principal businesses of the Group; (b) the Second Loan will be utilized for the necessary financial resources to implement the proposed Restructuring; (c) through the implementation of the ListCo Schemes, the New Subscription Proceeds arising from the Subscription will be used to settle the debts of the Group due to the ListCo Creditors with a view to improve the financial position of the Group in order to meet the requirements of the Listing Rules; and (d) as set out in the sub-section headed “Conditions Precedent of the Restructuring” in the PL Letter, the Restructuring is conditional upon, among others, the approval of the Specific Mandate, the Whitewash Waiver and the Special Deals.

In regard of Resumption Guidance (iii), the Company is expected to continue to inform the market of all material information of the Group for the Shareholders and other investors of the Company to appraise the Group’s position, when appropriate, in order to provide the Shareholders with all the relevant information, among others, to cast their votes on the relevant resolutions to approve the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals at the EGM.

In regard of Resumption Guidance (iv), the Company has published the annual results for the year ended 31 March 2020 on 6 January 2021 and published the corresponding annual report (the “**AR2020**”) on 1 February 2021. The Company has published the interim results announcement for the six months ended 30 September 2020 on 10 March 2021 and published the corresponding interim report (the “**IR2020**”) on 31 March 2021.

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

### ***Business and financial information of the Group***

As set out in the PL Letter, among other matters, (i) a winding-up petition was filed against the Company by the Petitioner (the “**Winding-up**”) on 10 May 2019; (ii) the LC Secured Lender and the SSCL Secured Creditor have secured interests in the shares of certain members of the Group and investment of the Group; and (iii) as a result of the Winding-up, the SFC and the HKEX have respectively imposed various restrictions (the “**Restrictions**”) on the business operations of FSL and FCL, two key operating subsidiaries of the Group. Please refer to the section headed “Restrictions Imposed on FSL and FCL by the HKEX and the SFC” in the PL Letter for further details of the Restrictions.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The Provisional Liquidators, the Company and the management of FSL and FCL have been actively liaising with the SFC and the HKEX in regard to the requirements on how to uplift and/or relax the Restrictions (whether partially or fully). As at the Latest Practicable Date, certain Restrictions have been uplifted by the SFC or partially relaxed by the HKEX but with the remaining Restrictions imposed, FSL and FCL (i) have not resumed to its previous level of trading volume; and (ii) continue to face practical difficulties and challenges in maintaining a sufficient level of operations.

Nevertheless, for illustrative purposes, set out below is a summary of the consolidated financial information of the Group for the six months ended 30 September 2019 and 2020 respectively and for the two years ended 31 March 2019 and 2020 respectively which were extracted from the IR2020, the annual report of the Company for the financial year ended 31 March 2019 (the “AR2019”) and the AR2020 respectively:

*For the six months ended 30 September 2020*

	<b>For the six months ended 30 September</b>		<b>YOY changes %</b>
	<b>2020</b>	<b>2019</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
	<i>(unaudited)</i>	<i>(unaudited)</i>	
Revenue	7,331	44,527	(83.54)
– Securities and futures brokerage, placing, underwriting and margin financing	5,666	24,553	(76.92)
– Provision of finance	–	15,011	(100.00)
– Insurance brokerage business	1,686	4,089	(58.77)
– Trading of securities and futures	(21)	(33)	(36.36)
– Factoring, financial guarantee and finance leasing	–	907	(100.00)
– Investment holding	–	–	N/A
– Corporate finance advisory	–	–	N/A
Loss before taxation	(351,534)	(3,088,091)	(88.62)
Loss attributable to the Shareholders	(352,094)	(3,088,131)	(88.60)

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

	As at		Changes %
	30 September 2020	31 March 2020	
	<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i> <i>(unaudited)</i>	
Total assets	1,536,521	1,119,583	37.24
Net assets/(liabilities)	(2,544,049)	(2,331,231)	9.13
Net assets/(liabilities) attributable to the Shareholders	(2,544,049)	(2,331,231)	9.13

As set out in the IR2020, the Group recorded revenue for the six months ended 30 September 2020 in the amount of approximately HK\$7.33 million, representing a decrease of approximately 83.54% as compared to that for the six months ended 30 September 2019 in the amount of approximately HK\$44.53 million. The decrease in revenue was mainly attributable to the decrease in revenue from the securities and futures brokerage, placing, underwriting and margin financing segment in the amount of approximately HK\$18.89 million which was mainly due to (i) various restrictions imposed by the HKEX and the SFC on the business operations of FSL and FCL, two key operating subsidiaries of the Group; (ii) financial distress of the Company; and (iii) adverse publicity surrounding the Group. In addition, the Group had no interest income from provision of finance for the six months ended 30 September 2020 as compared to that for the six months ended 30 September 2019 in the amount of approximately HK\$15.01 million as the Group had not engaged into new loan contracts for the six months ended 30 September 2020.

The Group recorded a loss attributable to the Shareholders for the six months ended 30 September 2020 in the amount of approximately HK\$352.09 million, representing a decrease of approximately 88.60% as compared to that for the six months ended 30 September 2019 in the amount of approximately HK\$3,088.13 million. It is noted from the IR2020 that the decrease in net loss was mainly attributable to the loss on deconsolidation of subsidiaries of HK\$2,092.20 million for the six months ended 30 September 2019, as books and records could not be accessed and the Company has lost control of Wins Finance and its subsidiaries since 1 April 2019.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The Group's unaudited total assets as at 30 September 2020 amounted to approximately HK\$1,536.52 million, including but not limited to, unlisted equity investment in the PRC in the amount of approximately HK\$800.57 million, accounts receivable in the amount of approximately HK\$301.18 million, prepayments, deposits and other receivables in the amount of approximately HK\$212.10 million and cash and bank balances in the amount of approximately HK\$156.37 million. The Group's unaudited net liabilities attributable to the Shareholders amounted to approximately HK\$2,544.05 million as at 30 September 2020 as compared to the net liabilities attributable to the Shareholders in the amount of approximately HK\$2,331.23 million as at 31 March 2020, which was mainly attributable to the net loss of the Group in the amount of approximately HK\$352.09 million for the six months ended 30 September 2020.

### **Auditor's disclaimer of conclusion in IR2020**

It was also noted from the IR2020 that the auditors of the Company (the "Auditors") did not express conclusion on the interim financial information of the Group due to the following basis:

#### ***1. Deconsolidation of subsidiaries***

As mentioned in the IR2020, the Auditors were unable to carry out audit procedures to obtain sufficient reliable audit evidence to satisfy themselves as to whether (i) the loss on deconsolidation of the subsidiaries of approximately HK\$2,092,200,000 as well as the related disclosures set out in the notes to the condensed consolidated financial statements are free from material misstatement; and (ii) the Group had lost its control over the Deconsolidated Subsidiaries.

#### ***2. Investments in associates***

There is no sufficient financial information of the Associates available to the Auditors for the preparation of the IR2020 because the management of the Associates refused to provide such required financial information to the Group. The Auditors were unable to obtain sufficient information in relation to (i) the estimate 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 period ended 30 September 2020; (ii) the estimate of the carrying value of the Group's investments in Associates as at 30 September 2020 and 31 March 2020; (iii) whether the accumulated losses of the Group as at 1 April 2020 resulted from the impairment loss of investments in Associates for the year ended 31 March 2020 are free from material misstatement; and (iv) whether the investment in FreeOpt Holdings Limited had been properly accounted for, classified, presented and disclosed in the condensed consolidated financial statements as at and for the period ended 30 September 2020.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### 3. *Investment in an unlisted equity investment*

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 Entity A as at 30 September 2020 (“**FVOCI in Entity A**”). The Auditors were unable to obtain sufficient information they considered necessary to assess the appropriateness of the basis of valuation of the FVOCI in Entity A as at 30 September 2020 and 31 March 2020 adopted by the Directors, and there were no other satisfactory procedures that the Auditors could perform to determine whether any adjustments to the carrying value of the FVOCI in Entity A as at 30 September 2020 and 31 March 2020 were necessary.

### 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 Court that the Company be wound up by the 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 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 30 September 2020, the Group had net current liabilities and net liabilities of approximately HK\$3,362,863,000 and approximately HK\$2,544,049,000 respectively. During the six months period ended 30 September 2020, the Group incurred a loss attributable to ordinary equity holders of the Company of approximately HK\$352,094,000. 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.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It is expected that (i) the Excluded Subsidiaries, and the Associates and Entity A will be transferred to the ListCo Scheme SchemeCo upon the taking effect of the ListCo Schemes; and (ii) all the claims of the ListCo Creditors against the Company as at the ListCo Schemes Effective Date will be fully and finally discharged by way of the implementation of the ListCo Schemes. Based on our discussion with the Auditors, should the Restructuring be materialized and the Group maintain a net asset and net current asset position, upon the absence of events or conditions which may cast significant doubt about the going concern assumption of the Group, the above auditors' qualification on the historical financial information of the Group shall not affect the business of the Retained Group upon Completion nor affect our view to the Whitewash Waiver.

### *For the financial year ended 31 March 2020*

	<b>For the years ended 31 March</b>		<b>YOY changes</b>
	<b>2020</b>	<b>2019</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	<i>(audited)</i>	<i>(audited)</i>	
Revenue	68,529	(74,633)	N/A
– <i>Securities and futures brokerage, placing, underwriting and margin financing</i>	48,567	66,660	(27.14)
– <i>Provision of finance</i>	12,570	74,099	(83.04)
– <i>Insurance brokerage business</i>	7,440	16,755	(55.60)
– <i>Trading of securities and futures</i>	(48)	(283,407)	99.98
– <i>Factoring, financial guarantee and finance leasing</i>	–	51,260	(100.00)
– <i>Investment holding</i>	–	–	N/A
– <i>Corporate finance advisory</i>	–	–	N/A
Loss before taxation	(3,840,665)	(2,149,801)	78.65
Loss attributable to the Shareholders	(3,838,847)	(2,160,250)	77.70
	<b>As at 31 March</b>		<b>YOY changes</b>
	<b>2020</b>	<b>2019</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	<i>(audited)</i>	<i>(audited)</i>	
Total assets	1,119,583	6,079,314	(81.58)
Net assets/(liabilities)	(2,331,231)	3,126,291	N/A
Net assets/(liabilities) attributable to the Shareholders	(2,331,231)	2,456,710	N/A

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As set out in the AR2020, the Group recorded revenue for the financial year ended 31 March 2020 in the amount of approximately HK\$68.53 million as compared to the negative revenue for the financial year ended 31 March 2019 in the amount of approximately HK\$74.63 million. The turnaround of revenue was mainly contributable to the decrease in negative revenue from the trading and securities income segment in the amount of approximately HK\$283.36 million which was due to loss from the sale of investments at fair value through profit and loss for the financial year ended 31 March 2019. Despite of the reduced loss from the trading and securities income segment, other revenue segments recorded a decrease as compared to those for the financial year ended 31 March 2019.

The Group recorded a loss attributable to the Shareholders for the financial year ended 31 March 2020 in the amount of approximately HK\$3,838.85 million, representing an increase in loss of approximately 77.70% as compared to that for the financial year ended 31 March 2019 in the amount of approximately HK\$2,160.25 million. It is noted from the AR2020 that the increase in net loss was mainly attributable to the loss on deconsolidation of subsidiaries of approximately HK\$2,092.20 million for the financial year ended 31 March 2020, as books and record could not be accessed and the Company has lost control of Wins Finance Holdings Inc. and its subsidiaries. In addition, provision for (i) impairment loss of factoring receivables; (ii) impairment losses of investments in the Associates; (iii) prepayments, deposits and other receivables; and (iv) finance costs represented an increase in the aggregate amount of approximately HK\$1,006.41 million as compared to those for the financial year ended 31 March 2019 and were mainly due to the unreceived repayment and decreased creditability from receivables and inaccessibility of required financial information from an associate.

The Group's audited total assets as at 31 March 2020 amounted to approximately HK\$1,119.58 million, including but not limited to, unlisted equity investment in the PRC in the amount of approximately HK\$660.30 million, cash and bank balances in the amount of approximately HK\$149.61 million and loan receivables in the amount of approximately HK\$143.04 million. The Group's audited net liabilities value attributable to the Shareholders amounted to approximately HK\$2,331.23 million as at 31 March 2020 as compared to the net asset value attributable to the Shareholders in the amount of approximately HK\$2,456.71 million as at 31 March 2019, which was mainly attributable to (i) deconsolidation of subsidiaries of approximately HK\$2,092.20 million for the financial year ended 31 March 2020, as books and record could not be accessed and the Company has lost control of Wins Finance Holdings Inc. and its subsidiaries; and (ii) the net loss of the Group in the amount of approximately HK\$3,838.85 million of the for the financial year ended 31 March 2020.



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*For the financial year ended 31 March 2019*

	<b>For the years</b>		<b>YOY</b>
	<b>ended 31 March</b>		
	<b>2019</b>	<b>2018</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>changes</b>
	<i>(audited)</i>	<i>(audited)</i>	<b>%</b>
Revenue	(74,633)	500,469	N/A
– <i>Securities and futures brokerage, placing, underwriting and margin financing</i>	66,660	139,522	(52.22)
– <i>Provision of finance</i>	74,099	225,390	(67.12)
– <i>Insurance brokerage business</i>	16,755	8,378	99.99
– <i>Trading of securities and futures</i>	(283,407)	63,738	N/A
– <i>Factoring, financial guarantee and finance leasing</i>	51,260	63,321	(19.05%)
– <i>Investment holding</i>	–	–	–
– <i>Corporate finance advisory</i>	–	120	–
Profit/(Loss) before taxation	(2,149,801)	324,384	N/A
Profit/(Loss) attributable to the Shareholders	(2,160,250)	269,894	N/A
	<b>As at 31 March</b>		<b>YOY</b>
	<b>2019</b>	<b>2018</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
	<i>(audited)</i>	<i>(audited)</i>	<b>%</b>
Total assets	6,079,314	8,591,122	(29.24)
Net assets/(liabilities)	3,126,291	5,011,355	(37.62)
Net assets/(liabilities) attributable to the Shareholders	2,456,710	4,303,741	(42.92)

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The Group recorded a negative revenue in the amount of approximately HK\$74.63 million for the financial year ended 31 March 2019, representing a decrease as compared to the revenue recorded for the financial year ended 31 March 2018 in the amount of approximately HK\$500.47 million. It is noted from the AR2019 that the change to negative revenue was mainly due to (i) negative revenue of approximately HK\$283.41 million loss from the sale of investments at fair value through profit and loss of the trading of securities and futures segment; and (ii) the decrease in other revenue segments in aggregate amount of approximately HK\$227.96 million where the interest income generated from the provision of finance segment represented a decrease in revenue of by approximately HK\$151.29 million for the financial year ended 31 March 2019 as compared to that for the financial year 31 March 2018.

The Group recorded a loss attributable to the Shareholders for the financial year ended 31 March 2019 in the amount of approximately HK\$2,160.25 million as compared to the profit attributable to the Shareholders for the financial year ended 31 March 2018 in the amount of approximately HK\$269.89 million. It is noted from the AR2019 that the consolidated net loss was mainly attributable to including, but not limited to, (i) the negative revenue from the trading of securities as mentioned above; (ii) provision for impairment loss of loans and finance lease receivables of approximately HK\$1,457.92 million, which were 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 individual borrowers in the PRC to make required repayments to the Group as at 31 March 2019.

The Group audited total assets as at 31 March 2019 amounted to approximately HK\$6,079.31 million, including but not limited to, unlisted equity investment in the PRC, other unlisted equity investment and listed equity investment in the Philippines in aggregate amount of approximately HK\$1,602.95 million and unlisted wealth management products of approximately HK\$1,148.31 million. The Group's audited net asset value attributable to the Shareholders recorded in the amount of approximately HK\$2,456.71 million as at 31 March 2019, representing a decrease of approximately 42.92% as compared to approximately HK\$4,303.74 million as at 31 March 2018. The decrease in net asset value was mainly due to the net loss of the Group for the financial year ended 31 March 2019 in the amount of approximately HK\$2,153.20 million.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Prospect of the financial trading market in Hong Kong*

Upon Completion, the Group will be principally engaged in securities and futures brokerage services in Hong Kong, along with underwriting and margin financing, insurance brokerage business, corporate finance advisory and other investment activities.

### **The number of listed companies and the total capitalisation of the Hong Kong security market from 2015 to 2020**

	<b>Number of listed companies</b>	<b>Total market capitalisation of the Hong Kong security market (HK\$' billion)</b>
As at the year-end of		
2015	1,866	24,684
2016	1,973	24,761
2017	2,118	33,999
2018	2,315	29,909
2019	2,449	38,165
2020	2,538	47,523
<i>Compounded annual growth rate (%)</i>	<i>6.34</i>	<i>14.00</i>

*Source: the website of the Stock Exchange (<https://www.hkex.com.hk>)*

As extracted from the Market Statistics Reports from 2015 to 2020 published by the Stock Exchange between 2015 and 2020, the securities market capitalization of the Hong Kong securities market increased from approximately 24,684 billion in 2015 to approximately 47,523 billion in 2020, representing a compounded annual growth rate of 14.00%, while the total number companies listed on the Stock Exchange increased from 1,866 in 2015 to 2,538 in 2020, representing a compounded annual growth rate of approximately 6.34%. As a result of the expanding pace of security market size in Hong Kong as illustrated in the above, the demand of securities brokerage services rises.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

On the other hand, the Stock Connect Program implemented by the Stock Exchange since 2016 has been stimulating the mobility of investment capital between Shenzhen, Shanghai and Hong Kong and the demand of security brokerage services. As stated in the Market Statistics Reports 2018 & 2020, the average daily trade value of Northbound Trading through Shanghai-Hong Kong Stock Connect increased from approximately RMB11,626 million in 2018 to approximately RMB39,116 million in 2020, while that of Shenzhen-Hong Kong Stock Connect increased from approximately RMB8,784 million in 2018 to approximately RMB52,176 million in 2020. In addition, as extracted from the Financial Review of the Securities Market 2017 & 2019 as published by the SFC in March 2018 and March 2020, the number of active margin clients in the Hong Kong securities market increased from 267,132 in 2016 to 601,842 in 2019, representing an increase of approximately 225% during the period, while the transaction value from brokers indicated an average annual increase of approximately 13.94% from 2016 to 2019. Under the Stock Connect Program and other new regimes for listing companies, e.g. weighted voting rights structure and biotech companies, the upward potential of Hong Kong securities market is further explored in terms of capital mobility, market capitalization and listing opportunities in the future.

Having considered (i) the upward trend of securities market industry from 2015 to 2020; and (ii) the increased capital mobility and upward potential due to the Stock Connect Program and other new listing regimes as implemented by the Stock Exchange, we consider that the outlook of the Hong Kong securities market is positive and that when the Group implemented the transactions contemplated under the Restructuring Deed, and successfully uplifted the Restrictions and achieved Resumption, we are optimistic about the business of the Retained Group in the foreseeable future.

### **2. Information of the Investor**

The Investor is an investment holding special purpose vehicle with no business operation incorporated in the British Virgin Islands. The sole director of the Investor is Mr. Xu Hao. The Investor is an Independent Third Party and not a Shareholder.

The Investor is wholly owned by Divine Artemis Limited and is in turn wholly-owned by Dr. Cheng Chi-Kong (“**Dr. Cheng**”). 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 Jewelry 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. He is a member of the Tianjin Municipal Committee of The Chinese People’s Political Consultative Conference of The People’s Republic of China, the chairman of China Young Leaders Foundation. He is also the Justice of Peace appointed by the Government of Hong Kong since 2016.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### 3. Intentions of the Investor regarding the Company

As set out in the PL Letter, as at the Latest Practicable Date, the Investor confirmed that it had no intention to discontinue the employment of any existing employees of the Group, change the existing principal business of the Group, redeploy the fixed assets of the Company, nor inject any assets or business into the Group. Notwithstanding, 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.

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. More information of the Acquisition will be discussed in the section below of this letter.

#### *Changes in the composition of the Board*

As at the Latest Practicable Date, the Board comprised two executive Directors, two non-executive Directors and three independent non-executive Directors. Upon Completion, the existing Directors will resign as the Directors.

The Company intends to appoint Mr. Xu Hao and Mr. Han Kam Leung (Michael) as executive Directors and Mr. Fung Sing Hong Stephen, Ms. Ling Kit Sum Imma and Mr. Xu Haohao as independent non-executive Directors upon Completion. The appointment of the abovementioned proposed Directors (the “**Proposed Directors**”) shall require the approval of more than 50% of the votes cast by the Independent Shareholders at the EGM by poll.

The respective biographical details of the Proposed Directors are disclosed in the PL Letter.

#### *Listing status and public float of the Company*

The Investor has undertaken with the Company and the Provisional Liquidators that, following completion of the Subscription and the First Loan Conversion and the issue of Scheme Shares, it will to the extent required by the Listing Rules and within the time limits permitted by the Stock Exchange but in any event, prior to the Resumption to place down the number of Shares as required to ensure that the minimum public float as required under the Listing Rules is maintained to permit the continued listing of all issued Shares on the Stock Exchange.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

It should be noted that the Investor is not restricted or precluded from exercising the conversion right under the Second Loan Conversion. However, the Investor has undertaken to the Company not to exercise the conversion right under the Second Loan Conversion if such right will result in the Company being in breach of the public float requirement as set out in the Listing Rules. The Investor also agreed and acknowledged that in the event the exercise of the conversion right under the Second Loan Conversion may result in the Company being in breach of the public float requirement under the Listing Rules, the Company shall have the absolute right and discretion to allow or disallow the Second Loan Conversion in order to maintain the public float of the Company.

Based on the above, we noted that (i) the Investor has provided the necessary financial funding that cope with the need for implementation of the Restructuring Deed and for the Resumption; (ii) the Investor intends to maintain the listing status and public float of the Company upon Resumption; (iii) the Investor will become a controlling Shareholder with 75% shareholding of the Company and its resourceful background and connections will help the Retained Group's business; and (iv) the Investor and the new Directors will bring valuable corporate leadership and management experiences to the Board and the Retained Group upon Resumption.

#### **4. The Restructuring Deed**

On 2 September 2020, the Provisional Liquidators obtained the sanction of the Court to enter into among others, the Restructuring Deed.

The Restructuring Deed has taken effect and been legally binding and enforceable since 11 September 2020, being the date on which the Initial Deposit was paid by the Investor to the Designated Account in accordance with the terms of the Restructuring Deed.

The Restructuring Deed comprises of, inter alia, the Restructuring, which shall include, among others, the provision of the First Loan and the Second Loan by the Investor; the Subscription, the Share Premium Cancellation, the Resumption, or otherwise the Acquisition; and the ListCo Schemes.

##### **A. *The First Loan Agreement***

<b>Date</b>	10 September 2020
<b>Parties</b>	The Company (as borrower); The Provisional Liquidators; and The Investor (as lender)
<b>Effective Date</b>	10 September 2020, being the date of execution of the First Loan Agreement

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

All proceeds of the First Loan, comprising (i) the Initial Drawdown in the amount of HK\$161,174,982, an amount equivalent to the LC Agreed Consideration; and (ii) the Further Drawdown as the Top-up Loan Amount (if any) that will be applied towards the settlement of the outstanding liabilities due to the LC Secured Lender and shall not be used for any other purpose whatsoever without the prior written consent of the Investor.

As at the Latest Practicable Date, the Investor has advanced HK\$50 million as the Initial Deposit and has also deposited the remaining amount of the Initial Drawdown into the Designated Account. Please refer to the PL Letter for more information on the condition precedents to the release of the proceeds of the First Loan from the Designated Account under the sub-section headed “Release of Proceeds of the First Loan”.

All outstanding liabilities of the Company under the First Loan Agreement will be fully discharged either upon (a) completion of the First Loan Conversion in the event that the Resumption is approved by the Stock Exchange; or (b) completion of the Acquisition in the event that the Resumption is not approved by the Stock Exchange, details of which are disclosed in the sub-section headed “The Acquisition” of this letter.

### ***First Loan Conversion***

In the event that the Resumption is approved by the Stock Exchange (whether conditionally or unconditionally), the Investor shall convert the First Loan into the First Loan Conversion Shares. Assuming there is no Further Drawdown, the number of the First Loan Conversion Shares shall be 9,987,877,226 Shares and the conversion price for the First Loan Conversion Shares shall amount to approximately HK\$0.01614 per Share.

The First Loan Conversion Shares will be allotted and issued simultaneously with the Subscription Shares and the Scheme Shares. The First Loan Conversion Shares shall rank *pari passu* in all respects with the existing Shares in issue at the date of allotment of the First Loan Conversion Shares and 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.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Supervisory Committee*

Upon payment of the full amount of the Initial Deposit into the Designated Account and the execution of the Restructuring Deed and the First Loan Agreement, the Company, the Provisional Liquidators and the Investor shall (within five (5) Business Days on written request to that effect made by the Investor) form a Supervisory Committee, comprising not more than three (3) representatives designated by the Investor and not more than three (3) representatives designated by the Provisional Liquidators for the purpose of monitoring, overseeing and supervising the business and financial operations of the Licensed Corporations. None of the members of the Supervisory Committee will be the Shareholders nor the representatives of any of the Shareholders.

As at the Latest Practicable Date, the Supervisory Committee has not been set up as the Investor has not made any written request to this effect.

Having considered that (i) the purpose of the proceeds of the First Loan is to settle the outstanding liabilities due to the LC Secured Lender in order to facilitate uplifting of restrictions imposed by regulators with a view to turnaround the business of the Group; and (ii) the First Loan and the First Loan Conversion do not impose further liabilities to the Group, we are of the view that the First Loan and the First Loan Conversion are beneficial to the Resumption, and hence, in the interest of the Company and the Independent Shareholders as a whole.

### ***B. The Second Loan Agreement***

<b>Date</b>	10 September 2020
<b>Parties</b>	The Company (as borrower); The Provisional Liquidators; and The Investor (as lender)
<b>Effective Date</b>	10 September 2020, being the date of execution of the Second Loan Agreement

The Investor shall make available to the Company interest-free and unsecured loans of up to HK\$40 million in aggregate. The Second Loan shall be used as payment for or contribution towards the costs, expenses, fees and charges to be incurred for the proposed Restructuring, with any balance remaining after settling the aforesaid to be used as working capital of the Group. Please refer to the PL Letter for more information on (i) the drawdown schedule of the proceeds of the Second Loan under the sub-section headed “Drawdown”; and (ii) the conditions precedent to the completion of the Second Loan Conversion under the sub-section headed “Second Loan Conversion”.



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As at the Latest Practicable Date, the Investor has deposited an aggregate amount of HK\$20 million into the Designated Account. The Company is not subject to any conditions for the release of the proceeds of the Second Loan from the Designated Account to the ListCo Account.

### *Second Loan Conversion*

In the event that 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. Assuming there is no Further Drawdown, the number of the Second Loan Conversion Shares shall amount to 2,478,766,139 Shares and the conversion price for the Second Loan Conversion Shares shall be approximately HK\$0.01614 per Share.

The Second Loan Conversion Shares shall rank *pari passu* in all respects with the existing Shares in issue at the date of allotment of the Second Loan Conversion Shares.

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 approved by the Stock Exchange by the Long Stop Date and the Investor does not convert the Second Loan within the Conversion Period,

- (a) the Second Loan (including the Second Loan Expended portion) shall be due and payable to the Investor by the Company on demand after the lapse of the Conversion Period; and
- (b) the Investor shall be entitled to exercise all its rights as an unsecured creditor against the Company in relation to the Second Loan; provided, however, that the Investor agreed and acknowledged that the repayment obligation in respect of the Second Loan shall be borne by the Company solely;

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

On the other hand, in the event that the Resumption is not approved by the Stock Exchange by the Long Stop Date,

- (a) 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;
- (b) the Investor shall be entitled to exercise all its rights as an unsecured creditor against the Company in relation to the Second Loan; provided, however, that the Investor agreed and acknowledged that the repayment obligation in respect of the Second Loan shall be borne by the Company solely; and
- (c) the Second Loan Expended Portion shall cease to be repayable to the Investor.

Having considered that (i) the purpose of the proceeds of the Second Loan is to cover the costs, expenses, fees and charges to be incurred for the proposed Restructuring which facilitates the Resumption; (ii) any balance remaining after settling the aforesaid will be used as working capital of the Group; and (iii) the Second Loan Conversion does not imposed further liabilities to the Group, we are of the view that the Second Loan and the Second Loan Conversion are beneficial to the Resumption, and hence, in the interest of the Company and Independent Shareholders as a whole.

### ***C. 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 way of Subscription, 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 First Loan Conversion, the Subscription and the issue of the Scheme Shares. Assuming there is no Further Drawdown, the number of the Subscription Shares shall amount to 4,957,532,278 Shares and the subscription price for the Subscription Shares shall be approximately HK\$0.01614 per Share.

The Subscription Shares shall rank *pari passu* in all respects with the existing Shares in issue at the date of allotment of the Subscription Shares and the First Loan Conversion Shares.

The New Subscription Proceeds, together with any accrued interest, shall be applied as the Scheme Cash Consideration to discharge the liabilities of the Company under the ListCo Schemes and pay the costs and expenses for the implementation of the ListCo Schemes.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Having considered that (i) the New Subscription Proceeds shall be used to discharge the liabilities of the Company under the ListCo Schemes and pay the costs and expenses for the implementation of the ListCo Schemes; and (ii) the Subscription demonstrates a firm confidence and support to the Company from the Investors in the capacity of the controlling Shareholder upon Completion, we are of the view that the Subscription is beneficial to the Resumption, and hence, in the interest of the Company and the Independent Shareholders as a whole.

### *D. The ListCo Schemes*

Pursuant to the Restructuring Deed, the debt restructuring of the Company shall be implemented by way of the ListCo Schemes. A summary of the ListCo Schemes is set out in the PL Letter under the sections headed “The ListCo Schemes”.

With reference to the Company’s announcements on 30 December 2020 and 22 January 2021, the resolution to approve the ListCo Schemes was duly passed at their respective Scheme Meetings held simultaneously on 22 January 2021. The ListCo Schemes were subsequently sanctioned on 2 February 2021 (Hong Kong time) by the High Court and 3 February 2021 (Cayman Islands time) by the Grand Court respectively.

In light of the above, and with reference to the conditions set out in the PL Letter under the section headed “Effective Date of the ListCo Schemes”, the ListCo Schemes shall become effective on the date when and after the passing of resolution approving Special Deal III by the Independent Shareholders at the EGM, obtaining of the consent to Special Deal III by the Executive and lastly, obtaining the approval of the Resumption from the Stock Exchange (whether conditionally or unconditionally).

Taking into account that (i) the ListCo Schemes, with proceeds from the Subscription under the Restructuring Deed, will enable all the claims against the Company by the ListCo Creditors to be discharged and compromised in full; (ii) the Company is insolvent and in the Trading Suspension with a Deadline; (iii) without the implementation of the ListCo Schemes, the claims against the Company by the creditors shall remain outstanding and the Company may need to be wound up and the Shareholders are likely not able to receive any value for their interest in the Company; and (iv) the Resumption will only take place if the proposed Restructuring is implemented by way of the ListCo Schemes, we are of the view that the ListCo Schemes are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Independent Shareholders as a whole.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Reasons for and benefits of the provision of the First Loan and Second Loan and the Subscription under the Restructuring Deed*

Given the financial situation of the Group and the willingness of the Investor to finance the Group to relieve the indebtedness of the Company and to continue the existing business operations of the Group, the Provisional Liquidators, the executive Directors and the non-executive Directors consider that the entering into the Restructuring Deed will facilitate (a) the uplifting and/or relaxation of the restrictions imposed by the HKEX and the SFC; and (b) the Company in satisfying the Resumption Guidance set out by the Stock Exchange.

### *Fund raising alternatives available to the Group*

Given the current net liabilities financial position of the Group and the winding up petition against the Company with its Shares being in prolonged suspension, there were very limited fund raising alternatives available to the Group. In particular, the Group could not obtain favorable bank facilities or borrowings under the existing position and could not propose attractive terms and offers to carry out any equity fund-raising activities such as rights issue or open offer when the Company is in the Trading Suspension. Having taken into account of the above and that the Subscription, the First Loan and the Second Loan could raise sufficient fund to settle the ListCo Schemes and facilitate the Resumption, we are of the view that the Subscription, the First Loan and the Second Loan are fair and reasonable fund-raising methods and are in the interest of the Company and the Independent Shareholders as a whole.

The Company did not carry out any rights issue, open offer or other issue of equity securities for fund raising purpose or otherwise within the 12 months immediately prior to the Latest Practicable Date.

Taking into account of (i) the current net liabilities financial position of the Group; (ii) the First Loan Conversion, the Second Loan Conversion and the Subscription demonstrates a firm confidence and support to the Company from the Investor; (iii) the limitations and shortfalls of other fund raising alternatives available to the Group; (iv) that the Resumption could only be achieved through the implementation of the proposed Restructuring; and (v) the benefits enjoyed by the Independent Shareholders from the Resumption whereas if the Restructuring fails to proceed and the Company is to be wound up, the Shareholders would most likely not be able to receive any value for their equity interest in the Company, we concur with the views of the executive Directors, non-executive Directors and the Provisional Liquidators that the provision of the First Loan and Second Loan and the Subscription under the Restructuring Deed is in the interest of the Company and the Independent Shareholders as a whole.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Price of the First Loan Conversion Shares, the Subscription Shares and the Second Loan Conversion Shares*

The First Loan Conversion Price, the Subscription Price and the Second Loan Conversion Price shall all be fixed at the same price which shall range from approximately HK\$0.01614 (assuming there is no Further Drawdown of the Top-up Loan Amount) to HK\$0.01661 (assuming there is Further Drawdown of the Top-up Loan Amount and the Top-up Loan Amount equals to the Estimated Taxation Liability) per Share.

The First Loan Conversion Price, the Second Loan Conversion Price and the Subscription Price per Share represent:

- (a) a discount of approximately 82.1% to 81.5% to the closing price of HK\$0.0900 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 83.2% to 82.7% to the average closing price of HK\$0.0958 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (c) a discount of approximately 83.9% to 83.5% to the average closing price of HK\$0.1000 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;
- (d) a premium of approximately HK\$1.2640 to HK\$1.2645 over the Group's theoretical consolidated net liabilities per Share of approximately HK\$1.2479 as at 31 March 2020, based on the audited net liabilities attributable to the Shareholders of approximately HK\$2,331,231,000 as at 31 March 2020 and 1,868,176,188 Shares in issue as at 31 March 2020; and
- (e) a premium of approximately HK\$1.3779 to HK\$1.3784 over the Group's theoretical unaudited net liabilities per Share of approximately HK\$1.3618 as at 30 September 2020, based on the unaudited net liabilities attributable to Shareholders of approximately HK\$2,544,049,000 as at 30 September 2020 and 1,868,176,188 Shares in issue as at 30 September 2020.

The First Loan Conversion Price, the Subscription Price and the Second Loan Conversion Price were determined after arm's length negotiations between the Company and the Investor having regard to (i) the market price of the Shares prior to and including the Last Trading Day; (ii) the Core Net Asset Value of the Licensed Corporations; (iii) the capital needs of the Company as detailed in the paragraph headed "Background of the Restructuring" in the PL Letter; (iv) the fact that the Provisional Liquidators have been appointed; (v) the prolonged suspension of trading in the Shares on the Stock Exchange; (vi) the prevailing market conditions; and (vii) the prospects of the business operations of the Group.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Historical price performance of the Shares*

Given that the Shares were suspended from trading for more than a year, we consider that drawing comparison between the First Loan Conversion Price, the Second Loan Conversion Price and the Subscription Price to be fixed at the same price which shall range from approximately HK\$0.01614 (assuming there is no Further Drawdown of the Top-up Loan Amount) to HK\$0.01661 (assuming there is Further Drawdown of the Top-up Loan Amount and the Top-up Loan Amount equals to the Estimated Taxation Liability) per Share and the historical closing prices of the Shares is not appropriate because the closing price of the Shares prior to the suspension of trading is not reflective of the current financial condition and value of the Company and will not provide a fair basis for our evaluation for the purpose of assessing the fairness and reasonableness of the First Loan Conversion Price, the Second Loan Conversion Price and the Subscription Price. We also consider that it is not appropriate to compare the First Loan Conversion Price, the Second Loan Conversion Price and the Subscription Price to be fixed at the same price which shall range from approximately HK\$0.01614 (assuming there is no Further Drawdown of the Top-up Loan Amount) to HK\$0.01661 (assuming there is Further Drawdown of the Top-up Loan Amount and the Top-up Loan Amount equals to the Estimated Taxation Liability) per Share with other listed companies on the Stock Exchange which had undergone their own restructuring as different restructuring proposals have different terms and conditions such as the amount of investment to be injected by the relevant investors and the percentage of shareholdings to be held by such investors after the respective restructuring has been completed, which may be factors in determining the subscription price.

However, as an additional reference, based on the ‘Monthly Prolonged Suspension Status Report (Main Board)’ as at 3 May 2021 from the website of the Stock Exchange (the “**May Status Report**”) which details the status of all the companies where trading were suspended for 3 months or more as at 30 April 2021, we have extracted below an exhaustive list of all the companies listed on the Main Board which will undergo its resumption through restructuring that also involves equity fund raising component (i.e., subscription of shares and/or convertible securities by the respective investors) from four years prior to the date of the Restructuring Deed up to the Latest Practicable Date (the “**Price Comparables**”). Below is the summary of their equity funding method and the respective discount of the subscription price to the closing price on last trading day.

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

<b>Company (stock code)</b>	<b>Date of announcement</b>	<b>Equity funding method</b>	<b>Discount of subscription price to the closing price on the last trading day</b>
Burwill Holdings Limited (Provisional Liquidators Appointed) (24)	5 May 2021	Subscription of shares and open offer	94.37%
China Lumena New Materials Corp. (In Provisional Liquidation) (67)	16 February 2017	Subscription of shares, open offer and issue of consideration shares	99.36%
China Solar Energy Holdings Limited (Provisional Liquidators Appointed) (155)	22 May 2020	Subscription of shares, placing and open offer	91.67%
Golden Shield Holdings (Industrial) Limited (2123)	5 June 2017	Subscription of shares and open offer	75.00%
MH Development Limited (2662)	22 February 2021	Subscription of shares	98.42%
Victory Group Limited (1139)	29 May 2020	Subscription of shares and open offer	16.00%
		<b>Maximum</b>	<b>99.36%</b>
		<b>Minimum</b>	<b>16.00%</b>
		<b>Average</b>	<b>79.14%</b>
		<b>Median</b>	<b>93.02%</b>
<b>Company</b>			<b>From 82.1% to 81.5%</b>

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As noted from the table above, the discount of the subscription price to the closing price on last trading day for the Price Comparables ranges from 16.00% to approximately 99.36%. The average and median of the discount of the subscription price to the closing price on last trading day for the Price Comparables were approximately 79.14% and approximately 93.02% respectively. The First Loan Conversion Price, the Second Loan Conversion Price and the Subscription Price to be fixed at the same price which shall range from approximately HK\$0.01614 (assuming there is no Further Drawdown of the Top-up Loan Amount) to HK\$0.01661 (assuming there is Further Drawdown of the Top-up Loan Amount and the Top-up Loan Amount equals to the Estimated Taxation Liability) per Share represents a discount of approximately 82.1% to 81.5% to the closing price of the Shares on the Last Trading Day and the discount falls within the above range, above the average and below the median.

We have also compared the First Loan Conversion Price, the Second Loan Conversion Price and the Subscription Price to be fixed at the same price which shall range from approximately HK\$0.01614 (assuming there is no Further Drawdown of the Top-up Loan Amount) to HK\$0.01661 (assuming there is Further Drawdown of the Top-up Loan Amount and the Top-up Loan Amount equals to the Estimated Taxation Liability) per Share to the pro forma net asset value of the Retained Group per Share (the “**Pro Forma NAV**”). As set out in the “Unaudited pro forma financial information of the Group” in Appendix II of the Circular, assuming completion of the Restructuring including, inter alia, the First Loan Conversion, the Subscription and Issuance of the Scheme Shares, the pro forma net asset value of the Retained Group as at 31 March 2020 would be approximately HK\$181,917,000, equivalent to approximately HK\$0.0097 per Share assuming 18,681,761,880 Shares in issue immediately after the completion of the Restructuring. As such, the First Loan Conversion Price, the Second Loan Conversion Price and the Subscription Price represents a premium of approximately 66.39% to approximately 71.24% over the Pro Forma NAV. We are of the view that the comparison of the First Loan Conversion Price, the Second Loan Conversion Price and the Subscription Price to the Pro Forma NAV is fair and reasonable given that the Pro Forma NAV represents the financial position of the Group when the Shares resume trading and which also takes into account of the number of Shares in issue after completion of the Restructuring.

In light of the above, and in particular that (i) the Company is in the Trading Suspension for over a year and the Restructuring is required for the Resumption; (ii) prior to the Restructuring, the Group is in a net deficit position; (iii) there is a funding need of the Group; (iv) First Loan Conversion Price, the Second Loan Conversion Price and the Subscription Price represents a premium of approximately 66.39% to approximately 71.24% over the Pro Forma NAV; and (v) the discount of the First Loan Conversion Price, the Second Loan Conversion Price and the Subscription Price to the closing price of the Shares on the Last Trading Day falls within the range, above the average and below the median of the Price Comparables, we consider that the First Loan Conversion Price, the Second Loan Conversion Price and the Subscription Price are fair and reasonable so far as the Independent Shareholders are concerned.



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *First Loan Conversion Shares, Second Loan Conversion Shares, Subscription Shares and the Scheme Shares under the Specific Mandate*

The First Loan Conversion Shares, the Second Loan Conversion Shares, the Subscription Shares, and the Scheme Shares will be allotted and issued pursuant to a specific mandate to be obtained upon approval by the Shareholders at the EGM.

If the Resumption is approved by the Stock Exchange (whether conditionally or unconditionally) and assuming there is no Further Drawdown, the Investor shall convert the First Loan into 9,987,877,226 First Loan Conversion Shares and subscribe 4,957,532,278 Subscription Shares, which together 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.

Assuming there is no Further Drawdown, the number of 9,987,877,226 First Loan Conversion Shares represents:

- (i) approximately 534.6% of the existing issued share capital of the Company; and
- (ii) approximately 53.5% of the issued share capital of the Company upon completion of the First Loan Conversion, the Subscription and the issue of the Scheme Shares.

Assuming there is no Further Drawdown, the number of 4,957,532,278 Subscription Shares represents:

- (i) approximately 265.4% of the existing issued share capital of the Company; and
- (ii) approximately 26.5% of the issued share capital of the Company upon completion of the First Loan Conversion, the Subscription and the issue of the Scheme Shares.

If the Resumption is approved by the Stock Exchange (whether conditionally or unconditionally) and assuming there is no Further Drawdown, the Investor may, within the Conversion Period, convert the Second Loan into 2,478,766,139 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.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Assuming there is no Further Drawdown, the number of 2,478,766,139 Second Loan Conversion Shares represents:

- (i) approximately 132.7% of the existing issued share capital of the Company; and
- (ii) approximately 11.7% of the 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.

### *Possible dilution effect to the existing Shareholders*

Immediately after completion of the First Loan Conversion, the Subscription, the issue of Scheme Shares, the Placing Down and the Second Loan Conversion, the shareholding interest of the public Shareholders will be diluted from approximately 83.9% as at the Latest Practicable Date to approximately 7.4%. Further details of the dilution effect to the public Shareholders are also illustrated in section “ILLUSTRATIVE CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY” in the PL Letter. As such, the possible maximum dilution to the shareholdings of the public Shareholders will be approximately 91.2%.

As an additional reference, in analyzing the dilution effect of the Restructuring, based on the May Status Report, we have extracted below an exhaustive list of all the companies listed on the Main Board which will undergo its resumption through restructuring that also involves equity fund raising component (i.e., subscription of shares and/or convertible securities by the respective investors or creditors) from four years prior to the date of the Restructuring Deed up to the Latest Practicable Date (the “**Dilution Comparables**”). Below is the summary of their equity funding method and the dilution on existing shareholding:

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Company (stock code)	Date of announcement	Equity funding method	Maximum dilution on public shareholders
Burwill Holdings Limited (Provisional Liquidators Appointed) (24)	5 May 2021	Subscription of shares and open offer	93.08%
China Lumena New Materials Corp. (In Provisional Liquidation) (67)	16 February 2017	Subscription of shares, open offer and issue of consideration shares	67.46%
China Solar Energy Holdings Limited (Provisional Liquidators Appointed) (155)	22 May 2020	Subscription of shares, placing and open offer	64.60%
Golden Shield Holdings (Industrial) Limited (2123)	5 June 2017	Subscription of shares and open offer	82.63%
MH Development Limited (2662)	22 February 2021	Subscription of shares	67.04%
Up Energy Development Group Limited (307)	4 September 2020	Issuance of scheme shares and placing	93.08%
Victory Group Limited (1139)	29 May 2020	Subscription of shares and open offer	53.50%
		<b>Maximum</b>	<b>91.55%</b>
		<b>Minimum</b>	<b>53.50%</b>
		<b>Average</b>	<b>74.27%</b>
		<b>Median</b>	<b>67.46%</b>
<b>Company</b>			<b>91.20%</b>

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As noted from the table above, the maximum dilution to the shareholding of the public shareholders of the Dilution Comparables ranged from approximately 53.50% to approximately 93.08%, with an average and a median of approximately 74.27% and approximately 67.46% respectively. Therefore, the maximum dilution effect to the shareholdings of the public Shareholders of approximately 91.2% are within the respective range in the above.

Despite the maximum dilution effect to the shareholdings of the public Shareholders are above the average and the median of the maximum dilution to the shareholding of the public shareholders of the Dilution Comparables, having considered that (i) the Company is in net liabilities financial position and if the Restructuring fails to proceed and the Company is to be wound up, the Shareholders would most likely not be able to receive any value for their equity interest in the Company; (ii) the Resumption will only happen if the Restructuring is implemented; (iii) the business outlook of the Group is positive given that the Restrictions are expected to be uplifted such that the Retained Subsidiaries will resume normal operations; (iv) the First Loan Conversion, the Subscription, the issue of Scheme Shares, the Placing Down and the Second Loan Conversion are part and partial to the Restructuring and the implementation of which are necessary for the Resumption; (v) the maximum dilution to the shareholdings of the public Shareholders were within the range of the maximum dilution to the shareholding of the public shareholders of the Comparables; and (vi) the dilution from the Restructuring is necessary in order for the Company to raise sufficient capital to complete the Restructuring, we are of the view that the possible dilution impact to the public Shareholders as a result of the First Loan Conversion, the Subscription, the issue of Scheme Shares, the Placing Down and the Second Loan Conversion are justifiable and acceptable.

### ***E. 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.

### ***F. Exclusivity Period***

During the period commencing from the date of the Term Sheet to the Long Stop Date, the Provisional Liquidators agree that they shall not initiate or continue negotiations or discussions with or furnish any information with respect to the Restructuring to any person or entity other than the Investor.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### **G. The Acquisition**

As set out in the PL Letter, in the event that the Resumption is not approved by the Stock Exchange by the Long Stop Date (i.e. 30 June 2021 or such other date as agreed to by the Investor and the Provisional Liquidators in writing), 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.

#### ***Principal terms of the Acquisition SPA***

**Date** 24 September 2020

**Parties** The Investor (as purchaser)  
The Company (after being delisted, as vendor); and  
The Provisional Liquidators.

As at the Latest Practicable Date, the Investor and its ultimate beneficial owner(s) are Independent Third Parties

**Subject being acquired** 100% shareholdings of the Retained Subsidiaries

The Acquisition SPA 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.

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

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Information on the Retained Group and the Retained Subsidiaries*

The Retained Group comprises of the Company and the Retained Subsidiaries. The Retained Subsidiaries are the subsidiaries of the Company to be remained in the Group after the Resumption or completion of the First Loan Conversion and the Subscription, which are the Licensed Corporations, FTL, Freeman Technology, Freeman FullNode Limited, the Turnbridge Companies and any other investment holding companies incorporated solely for the purpose of holding any of the Retained Subsidiaries.

The Licensed Corporations include FCL, FCFL(HK), FPWML, FSL and People and each of them are a corporation licensed under the SFO and/or the Insurance Ordinance (Cap. 41 of the Laws of Hong Kong).

FCL, a direct wholly-owned subsidiary of FSL and indirect wholly-owned subsidiary of the Company, is incorporated in Hong Kong and is licensed under the SFO to carry out type 2 regulated activity.

FCFL(HK), an indirect wholly-owned subsidiary of the Company, is incorporated in Hong Kong and is licensed under the SFO to carry out type 6 regulated activity.

FPWML, an indirect wholly-owned subsidiary of the Company, is incorporated in Hong Kong with an insurance broker license under the Hong Kong Insurance Authority to carry out long term business (including linked long term business) in Hong Kong.

FSL, an indirect wholly-owned subsidiary of the Company, is incorporated in Hong Kong and is licensed under the SFO to carry out types 1,4 and 9 regulated activities.

People, an indirect wholly-owned subsidiary of the Company, is incorporated in Hong Kong which is licensed under the SFO to carry out types 1,4 and 9 regulated activities and with an insurance broker license under the Hong Kong Insurance Authority to carry out general and long term business (including linked long term business) in Hong Kong.

FTL, an indirect wholly-owned subsidiary of FPWML and indirect wholly-owned subsidiary of the Company, is incorporated in Hong Kong which is registered as a trust company under the Trustee Ordinance (Cap. 29 of the Laws of Hong Kong).

The Turnbridge Companies comprise of Turnbridge Holdings Limited, Turnbridge Investment Services Limited, Turnbridge Nominee Services Limited, Turnbridge Financial Investment Ltd and Turnbridge Insurance Services Ltd and each of them is a special purpose vehicle with no business operation and is incorporated by the Company for the sole purpose of holding the shares in FTL upon Completion.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Freeman Technology Limited, a direct wholly-owned subsidiary of the Company, is incorporated in the British Virgin Islands and an investment holding company.

Freeman FullNode Limited, a joint venture incorporated in Hong Kong which is owned as to 75% by the Company indirectly, is principally engaged in the FinTech investment sector.

### *Financial information of the Retained Group*

The unaudited pro forma statements of financial position of the Group, details of which are set out in the section headed “Unaudited Pro Forma Financial Information of The Remaining Group” in Appendix II of the Circular, has been prepared by the management of the Company based on the audited consolidated statement of financial position of the Group as at 31 March 2020 and has been adjusted on a pro forma basis to reflect the effects of the proposed Restructuring. The following table summarised the unaudited pro forma statement of financial position of the Group.

<b>In HK\$'000</b>	<b>Audited financial position of the Group as at 31 March 2020</b>	<b>Sum of pro forma adjustments</b>	<b>Unaudited pro forma statement of financial position of the Retained Group as at 31 March 2020</b>
Total assets	1,119,583	(873,470)	246,113
Total liabilities	(3,450,814)	3,386,618	(64,196)
<b>Net assets</b>	<b>(2,331,231)</b>	<b>2,513,148</b>	<b>181,917</b>
<b>Net current assets</b>	<b>(3,019,459)</b>	<b>3,180,492</b>	<b>161,033</b>

As indicated above, upon Completion, the financial position of the Retained Group will be significantly improved with net asset value of approximately HK\$182 million and net current asset value of approximately HK\$161 million since all the liabilities of the Company incurred on or before the effective date of the ListCo Schemes will be discharged and all the Excluded Companies will be carved out from the Retained Group.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Basis of the consideration of the Acquisition*

Pursuant to the Acquisition SPA, 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.

We were given to understand that the Acquisition was agreed upon the parties to the Restructuring Deed in exchange of the provision of the First Loan in order to facilitate the Restructuring and the Resumption. Please refer to the “Reasons for and benefits of the provision of the First Loan and Second Loan and the Subscription under the Restructuring Deed” from the PL Letter.

The First Loan in the amount of (a) HK\$161,174,982, being an amount equivalent to the LC Agreed Consideration; and (b) the Top-up Loan Amount (if any). The LC Agreed Consideration in the amount of HK\$161,174,982 consists of (a) the Core Net Asset Value, being HK\$148,640,890; (b) a premium of HK\$10 million; and (c) 50% of the Management Compensation paid to the former executive Directors in connection with their resignations, which is a discounted sum of their entitlement to compensation under the terms of their respective service contracts, being HK\$2,534,092.

The Core Net Asset Value, as one of the principal basis in forming the LC Agreed Consideration, in the amount of HK\$148,640,890, represents the adjusted net asset value of the Licensed Corporation as at 31 July 2020. We were given to understand that the Core Net Asset Value did not include FTL and the Turnbridge Companies since FTL and each of the Turnbridge Companies have no significant assets and operations and were considered to have no material value.

The Management Compensation was incurred due to cost-cutting measures implemented by the Provisional Liquidators facilitate the Company’s resumption process and has been used to compensate the early cessation of the former executive Directors’ service contracts. We are of the view that the 50% of the Management Compensation and the premium of HK\$10 million as provided by the Investor to the Company in the LC Agreed Consideration will further assist the Company in its Restructuring efforts and are fair, reasonable and in the interest of the Company and the Independent Shareholders as a whole.



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As stated in the PL Letter, all outstanding liabilities of the Company under the First Loan Agreement will be fully discharged either upon (a) completion of the First Loan Conversion in the event that the Resumption is approved by the Stock Exchange; or (b) completion of the Acquisition in the event that the Resumption is not approved by the Stock Exchange by the Long Stop Date. Given the above, the First Loan, together with the consideration of the Acquisition of HK\$1.00, is regarded as the implied consideration of the Acquisition (the “**Implied Consideration**”). We further noted that the minimum amount of the Implied Consideration would be the sum of the LC Agreed Consideration and HK1.00, assuming that there would be no Top-up Loan Amount.

To further assess the fairness and reasonableness of the Implied Consideration, being not less than the sum of the LC Agreed Consideration and HK1.00, we have performed a price-to-book ratio (the “**PBR**”) analysis, being one of the most commonly used benchmarks for valuation of companies, to compare the Implied Consideration against the market valuation of other comparable companies.

The Retained Group, through its key operating subsidiaries namely FSL and FCL, continues to focus in securities brokerage, futures brokerage, margin financing and placing and underwriting services in Hong Kong under the trading name of “Freeman Securities”. For comparison purpose, we have conducted a search of comparable companies which meet the criteria of (i) having listed on the Stock Exchange as at the Latest Practicable Date; (ii) principally engaged in securities dealings and brokerage and/or financial services business which are closely comparable to that of the Retained Subsidiaries; (iii) having securities dealings and brokerage and/or financial services business as their largest revenue contributor; (iv) having over 50% of their respective revenues generated in Hong Kong; and (v) with market capitalisation comparable to that of the LC Agreed Consideration (i.e. of no more than HK\$500 million).

Based on the aforesaid selection criteria and based on our search conducted through published information on the Stock Exchange’s website, we have found an exhaustive list of 15 comparable companies (the “**Industry Comparables**”) which share similar market capitalisation and comparable businesses of the Retained Subsidiaries such that we consider the Industry Comparables sufficient and representative for us to form a view on the terms of the Acquisition. We set out our findings in the table below.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

	<b>Company (stock code)</b>	<b>Principal business</b>	<b>Market Capitalisation (HK\$ million)</b>	<b>PBR</b>
1.	Astrum Financial Holdings Limited (8333)	Provision of securities dealing and brokerage services, placing and underwriting services, corporate finance advisory services, financing services and asset management services	134	0.78
2.	CASH Financial Services Group Limited (510)	Provision of financial services	160	0.36
3.	China Fortune Financial Group Limited (290)	Financial businesses	352	1.06
4.	CL Group (Holdings) Ltd. (8098)	Financing businesses	200	0.84
5.	DLC Asia Limited (8210)	Provision of derivatives brokerage services	42	0.47
6.	Excalibur Global Financial Holdings Limited (8350)	Provision of futures broking services	190	5.99
7.	First Shanghai Investments Ltd (227)	Provision of financial services	454	0.17
8.	Fu Shek Financial Holdings Limited (2263)	Provision of financial services	204	0.63
9.	Koala Financial Group Ltd. (8226)	Provision of securities placing and brokerage services	54	0.20
10.	PF Group Holdings Limited (8221)	Provision of securities dealing and brokerage service	148	0.79

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Company (stock code)	Principal business	Market Capitalisation (HK\$ million)	PBR
11. Pinestone Capital Limited (804)	Provision of financial services	140	0.71
12. South China Financial Holdings Limited (619)	Financial businesses	116	0.21
13. Southwest Securities International Securities Limited (812)	Financial businesses	245	0.87
14. Styland Holdings Limited Styland Holdings Limited (211)	Financial businesses	212	0.43
15. Victory Securities (Holdings) Company Limited (8540)	Provision of securities broking services	390	1.87
	<b>Maximum</b>		<b>5.99</b>
	<b>Minimum</b>		<b>0.17</b>
	<b>Average</b>		<b>1.03</b>
	<b>Median</b>		<b>0.71</b>
			<b>Implied PBR</b>
<b>The Licensed Corporations</b>	<b>Financial businesses</b>		<b>1.08</b>

*Note:*

The implied PBR of the Acquisition was calculated based on the LC Agreed Consideration in the amount of HK\$161,174,982 and the Core Net Asset Value in the amount of approximately HK\$148,640,890.

As noted from the table above, the PBR of the Industry Comparables ranged from approximately 0.17 times to approximately 5.99 times (the “**PBR Range**”), with an average of approximately 1.03 times and a median of approximately 0.71 times. The implied PBR of the Acquisition of approximately 1.08 times falls within the PBR Range, and is higher than the average and the median of the PBR of the Industry Comparables.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

In light of the above, in particular that (i) the Implied Consideration and the LC Agreed are mainly made reference to the Core Net Asset Value; (ii) the implied PBR of the Acquisition falls within the PBR Range, and above the average and the median of the PBR of the Industry Comparables; and (iii) the Acquisition is part of the proposed Restructuring and will only happen in the event that the Resumption is not approved by the Stock Exchange by the Long Stop Date, we are of the view that the terms of the Acquisition SPA are fair and reasonable and the Acquisition is in the interest of the Company and Independent Shareholders as a whole.

### **5. Financial effect of the proposed Restructuring**

#### *Assets and liabilities*

As set out in the “Unaudited Pro Forma Financial Information of The Remaining Group” in Appendix II of the Circular, assuming completion of the Restructuring including, inter alia, the First Loan Conversion, the Subscription and the ListCo Schemes, the pro forma total asset and total liabilities of the Retained Group as at 31 March 2020 would be approximately HK\$246,113,000 and approximately HK\$64,196,000 and the pro forma net asset value of the Retained Group as at 31 March 2020 would be approximately HK\$181,917,000 as compared to the net liabilities value of the Group of approximately HK\$2,331,230,273 as at 31 March 2020 assuming that the Restructuring was not implemented.

#### *Earnings*

As set out in the “Unaudited Pro Forma Financial Information of The Remaining Group” in Appendix II of the Circular, assuming completion of the Restructuring including, inter alia, the First Loan Conversion, the Subscription and the ListCo Schemes, the pro forma net loss of the Retained Group for the year ended 31 March 2020 would be approximately HK\$1,566,875,000. The decrease in net loss was primarily attributable to the gain on debt restructuring under the ListCo Schemes.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### 6. Whitewash Waiver

As at the date of the Restructuring Deed and the Latest Practicable Date, the Investor and parties acting in concert with it do not hold any Shares or other securities of the Company.

Upon completion of the First Loan Conversion, the Subscription and the issue of the Scheme Shares, if and when proceeded, the Investor and parties acting in concert with it will become interested in 80% of the enlarged issued share capital of the Company. As a result, pursuant to Rule 26.1 of the Takeovers Code, the Investor and parties acting in concert with it will be required to make an unconditional mandatory general offer for all the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company (other than those already owned or agreed to be acquired or held by the Investor and the parties acting in concert with it), unless the Whitewash Waiver is granted by the Executive.

In light of the above, the Investor has made an application to the Executive under the Takeovers Code for the Whitewash Waiver to relieve them from their obligation to make a mandatory general offer. The Executive has indicated that it will grant the Whitewash Waiver subject to the approval of the Restructuring by more than 50% of the votes cast by the Independent Shareholders by way of poll at the EGM and approval of the Whitewash Waiver by at least 75% of the votes cast by the Independent Shareholders by way of poll at the EGM in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code. As the shareholding of the Investor will exceed 50% of the issued share capital of the Company following the completion of the First Loan Conversion, the Subscription and the issue of the Scheme Shares, the Investor may increase its shareholding in the Company through, among others, the Second Loan Conversion, without incurring any further obligation to make a general offer under the Takeovers Code. However, if the Whitewash Waiver were not granted by the Executive or not approved by the Independent Shareholders, the Subscription will not proceed, and therefore, the Resumption would not be approved by the Stock Exchange and the Acquisition SPA shall take effect.

Based on our above analysis of the provision of the First Loan and Second Loan and the Subscription, we consider that these proposed transactions are in the interests of the Company and the Independent Shareholders as a whole. If the Whitewash Waiver were not approved by the Independent Shareholders at the EGM, the ListCo Schemes cannot be executed, the financial position of the Company may not meet the requirement of the Listing Rules and hence the Shares may not be able to resume trading. Accordingly, for the purpose of a successful Resumption, we are of the view that the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### 7. The SSCL Disposal

On 9 February 2021, 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.

The principal terms of the SSCL Share Transfer Agreement are as follows:

<b>Date</b>	9 February 2021
<b>Parties</b>	The SSCL Purchaser (as purchaser); The Provisional Liquidators; and FSL (as vendor)
<b>Subject matter</b>	The SSCL Interest, representing approximately 12.17% of the share capital of SSCL, free from any encumbrances.
<b>SSCL Disposal Consideration</b>	RMB600,000,000, being the tender price submitted by the SSCL Purchaser during the tender process initiated by the Provisional Liquidators in March 2020 to identify potential purchasers for the SSCL Interest.

The SSCL Purchaser is a limited liability company established under the laws of the PRC which principally engaged in the manufacturing of steel products. The SSCL Purchaser and its ultimate beneficial owner, being Mr. Shen Wenrong, are Independent Third Parties and are not Shareholders.

SSCL, approximately 12.17% shareholding interest of which is held by FSL, is joint stock company established in the PRC and principally engaged in the provision of financial services. Upon the SSCL Disposal Completion, the Group will cease to have any shareholding interest in SSCL.

The audited net asset value attributable to the SSCL Interest as at 31 December 2019 was approximately RMB496.08 million (the “**SSCL Interest NAV**”) and the SSCL Disposal represents a premium of approximately 20.95% over the SSCL Interest NAV.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Pursuant to the terms of the SSCL Transfer Agreement, the Provisional Liquidators shall transfer the SSCL Disposal Initial Deposit, being RMB90,000,000 paid by the SSCL Purchaser to the Provisional Liquidators on 20 May 2020 for the SSCL Disposal, to an account designated by the SSCL Purchaser and the SSCL Purchaser shall deposit the SSCL Disposal Escrow Fund, being the full amount of the SSCL Disposal Consideration (inclusive of the SSCL Disposal Initial Deposit) in equivalent Hong Kong dollars (unless FSL and the SSCL Purchaser agreed otherwise), less the amount of any tax payable in the PRC for the SSCL Disposal (if any), to the SSCL Disposal Escrow Account. Please refer to the section headed “The SSCL Disposal” in the PL Letter for further details of the payment of the SSCL Disposal Consideration. As at the Latest Practicable Date, the SSCL Purchaser has not deposited the SSCL Disposal Escrow Fund to the SSCL Disposal Escrow Account.

We were given to understand that the Provisional Liquidators has initiated a tender process in March 2020 in order to identify potential purchasers for the SSCL Interest. As a result, the Provisional Liquidators have identified 2 Independent Third Parties which showed their interest in purchasing the SSCL Interest. We enquired from the Provisional Liquidators and noted that in selecting the ultimate purchaser during the tender process, the Provisional Liquidators has considered several principal factors, including but not limited to, (i) the consideration offered by the potential purchasers; and (ii) the background and financial ability of the potential purchasers as to whether they could fulfill the relevant regulatory requirement in the PRC, among others, to become a shareholder of SSCL.

As stated in the PL letter, proceeds from the SSCL Disposal will be applied towards settling the outstanding liabilities due to (a) the SSCL Secured Creditor and (b) the LC Secured Lender. As such, the Provisional Liquidators have proposed to the LC Secured Lender that FSL’s investment or interest in SSCL, interest in the SSCL Disposal and/or the proceeds generated therefrom be excluded from the calculation of the LC Agreed Consideration.

Having considered that (i) the SSCL Purchaser and SSCL Disposal Consideration were identified through a fair and reasonable tender process; (ii) the SSCL Disposal Consideration represents a premium over the SSCL Interest NAV; and (iii) the proceeds from the SSCL Disposal will be applied towards settling the outstanding liabilities due to the SSCL Secured Creditor and the LC Secured Lender, which assists in facilitating the Restructuring, we are of the view that the SSCL Disposal is fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### 8. Special Deals

#### *Special Deal I*

Based on the records available to the Provisional Liquidators, as at the Latest Practicable Date, the ultimate beneficial owner of the LC Secured Lender was indirectly interested in 3,485,294 Shares, representing approximately 0.19% of the issued share capital of the Company.

As the proposed partial settlement of the indebtedness due to the LC Secured Lender through (a) the payment of the LC Agreed Consideration; and (b) the assignment of certain assets of the Licensed Corporations is not extended to all the other Shareholders, such settlement of indebtedness constitutes a special deal under Rule 25 of the Takeovers Code.

#### *Special Deal II*

Based on the records available to the Provisional Liquidators, as at the Latest Practicable Date, the ultimate beneficial owner of the SSCL Secured Creditor was indirectly interested in 3,485,294 Shares, representing approximately 0.19% of the issued share capital of the Company.

As the proposed partial settlement of the indebtedness due to the SSCL Secured Creditor and the LC Secured Lender through the payment of the proceeds of the SSCL Disposal is not extended to all the other Shareholders, such settlement of indebtedness constitutes a special deal under Rule 25 of the Takeovers Code.

#### *Special Deal III*

As:

- (i) any shortfall amount between the indebtedness due to the LC Secured Lender and the proposed settlement sum under Special Deal I and Special Deal II would be included in and settled by the ListCo Schemes;
- (ii) any shortfall amount between the indebtedness due to the SSCL Secured Creditor and the proposed settlement sum under Special Deal II would be included in and settled by the ListCo Schemes;



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

- (iii) based on the records available to the Provisional Liquidators, as at the Latest Practicable Date, Huarong Macau, being one of the ListCo Creditors, was directly interested in 1,649,294 Shares, representing approximately 0.09% of the issued share capital of the Company. In addition, the ultimate beneficial owner of 51% equity interest in Huarong Macau is indirectly interested in 1,836,000 Shares through another subsidiary, namely Coastal Treasure, which, together with its indirect interest in 1,649,294 Shares held by Huarong Macau, represent approximately 0.19% of the issued share capital of the Company; and
- (iv) the proposed settlement of the indebtedness due to each of the LC Secured Lender, the SSCL Secured Creditor and Huarong Macau under the ListCo Schemes is not extended to all the other Shareholders,

such settlement of indebtedness constitutes a special deal under Rule 25 of the Takeovers Code.

As such, each of Special Deal I, Special Deal II and Special Deal III requires consent by the Executive. An application has been made to the Executive for the consent to proceed with the Special Deals under Rule 25 of the Takeovers Code. Such consent, if granted, will be subject to (a) an independent financial adviser to the Independent Shareholders publicly stating in its opinion that the respective terms of the Special Deals are fair and reasonable; and (b) approval of the Special Deals by the Independent Shareholders at the EGM.

Taking into account of (i) the proceeds from the First Loan and the Subscription are to be used for settling the debts owed by the Company to the Secured Creditors, which are part of the Resumption Proposal, and (ii) the fact that if the debt restructuring by way of the ListCo Schemes is not successful, the Group will be placed into insolvent liquidation, by which all assets of the Company will be realized for the benefit of the Creditors; and (iii) the Interested Shareholders will abstain from voting on the resolutions to approve the relevant resolutions, we are of the view that the respective terms of the Special Deals are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### RECOMMENDATION

Having considered the above principal factors, in particular that

- (i) the Resumption will only happen if the proposed Restructuring is implemented;
- (ii) the outlook of the Hong Kong securities market and the business prospect of the Retained Group are positive;
- (iii) the purpose of the proceeds of the First Loan is to settle the outstanding liabilities due to the LC Secured Lender in order to improve the Group's financial position and the purpose of the proceeds of the Second Loan is to cover the costs, expenses, fees and charges to be incurred for the proposed Restructuring which facilitates the Resumption;
- (iv) the First Loan Conversion and the Second Loan Conversion do not impose further liabilities to the Group;
- (v) the New Subscription Proceeds shall be used to discharge the liabilities of the Company under the ListCo Schemes and pay the costs and expenses for the implementation of the ListCo Schemes which improve the Group's financial position;
- (vi) the provision of the First Loan and Second Loan and the Subscription under the Restructuring Deed is the most practical fund-raising method for the Group;
- (vii) the ListCo Schemes will enable all the claims against the Company by the ListCo Creditors to be discharged and compromised in full;
- (viii) the discount of the First Loan Conversion Price, the Second Loan Conversion Price and the Subscription Price of HK\$0.0900 is within the range of the Price Comparables;
- (ix) the maximum dilution effect to the shareholdings of the public Shareholders of approximately 91.2% are within the range of the Dilution Comparables;
- (x) the Acquisition was agreed upon the parties to the Restructuring Deed in exchange of the provision of the First Loan in order to facilitate the Restructuring and the Resumption;
- (xi) the implied PBR of the Acquisition falls within the PBR Range and above the average and the median of the PBR of the Industry Comparables;

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

- (xii) the financial position and earnings of the Retained Group is expected to improve upon completion of the proposed Restructuring;
- (xiii) if the proposed Restructuring does not proceed, it is highly likely that the Company would be wound up, the LC Secured Lender would enforce its security interest and all Licensed Corporations would be disposed of for repayment of the indebtedness due to the LC Secured Lender, and ultimately, the Shareholders are likely not able to receive any value for their interest in the Company;
- (xiv) If the Whitewash Waiver were not approved by the Independent Shareholders at the EGM, the ListCo Schemes cannot be executed, the financial position of the Group may not meet the requirement of the Listing Rules and hence the Shares may not be able to resume trading; and
- (xv) the Special Deals are solely for the purpose of repayment of indebtedness due to the ListCo Creditors who are also the Shareholders and form part of the Restructuring and if the debt restructuring by way of the ListCo Schemes is not successful, the Group will be placed into insolvent liquidation, by which all assets of the Company will be realized for the benefit of the Creditors,

we are of the view that the First Loan, the Second Loan, the Subscription, the ListCo Schemes, the Acquisition, the Whitewash Waiver and the Special Deals are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to approve the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals at the EGM

Yours Faithfully,  
For and on behalf of  
**Veda Capital Limited**  
**Julisa Fong**  
*Managing Director*

*Ms. Julisa Fong is a licensed person registered with the SFC and a responsible officer of Veda Capital Limited which is licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity and has over 24 years of experience in corporate finance industry.*

**1. SUMMARY OF FINANCIAL INFORMATION**

Details of the financial information of the Group and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information for the last three financial years ended 31 March 2018, 2019 and 2020 and the six months ended 30 September 2019 and 30 September 2020 are disclosed in the annual reports of the Company for each of the three years ended 31 March 2018 (pages 60 to 195), 2019 (pages 70 to 251) and 2020 (pages 65 to 229), and the interim report for the six months ended 30 September 2019 (pages 4 to 66) and 2020 (pages 10 to 67), respectively.

These annual reports and interim reports are published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.freeman279.com>). Please refer to the hyperlinks as stated below:

- (a) Annual report for the year ended 31 March 2018:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0730/ltn20180730017.pdf>
- (b) Annual report for the year ended 31 March 2019:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0730/ltn20190730033.pdf>
- (c) Annual report for the year ended 31 March 2020:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0201/2021020103393.pdf>
- (d) Interim report for the six months ended 30 September 2019:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0120/2020012000003.pdf>
- (e) Interim report for the six months ended 30 September 2020:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0331/2021033101066.pdf>

**2. FINANCIAL SUMMARY**

Set out below is a summary of the consolidated financial results and positions of the Company for the three financial years ended 31 March 2018, 2019 and 2020 and the six months ended 30 September 2019 and 2020 extracted from the annual reports of the Company for the three years ended 31 March 2018, 2019 and 2020, and the interim reports of the Company for the six months ended 30 September 2019 and 2020, respectively.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 March			For the six months ended 30 September	
	2018	2019	2020	2019	2020
	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
<b>Revenue</b>	500,469	(74,633)	68,529	44,527	7,331
Cost of sales	(10,028)	(18,115)	(35,262)	(13,122)	(3,437)
Gross profit/(loss)	490,441	(92,748)	33,267	31,405	3,894
Other income and gains	497,320	112,338	2,709	902	7,227
Fair value gains/(losses) on investments at fair value through profit or loss, net	25,366	(59,856)	(20,460)	(9,809)	11,452
General and administrative expenses	(187,154)	(285,180)	(117,525)	(61,065)	(40,989)
Provision for impairment loss of loans receivable, net	(320,000)	(1,368,726)	(266,085)	(253,376)	–
Reversal of provision/(provision) for impairment loss of accounts receivable, net	(135,417)	(20,115)	191	(81)	(1,400)
Provision for impairment loss of finance lease receivables	–	(89,198)	–	–	–
Reversal of provision/(provision) for impairment loss of factoring receivables	–	68	(297,529)	(243,231)	–
Impairment loss of prepayments, deposits and other receivables	–	–	(45,792)	–	–
Impairment loss of investments in associates	–	–	(341,674)	–	–
Loss on deconsolidation of subsidiaries	–	–	(2,092,200)	(2,092,200)	–
Other expenses, net	–	(11,814)	(40)	(45,792)	(15,945)
Finance costs	(207,079)	(374,185)	(695,527)	(385,360)	(315,773)
Share of profits/(losses) of associates and a joint venture	160,907	39,615	–	–	–

	For the year ended 31 March			For the six months ended 30 September	
	2018	2019	2020	2019	2020
	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
<b>Profit/(loss) before tax</b>	324,384	(2,149,801)	(3,840,665)	(3,088,091)	(351,534)
Income tax credit/(expense)	(21,362)	(3,394)	1,818	(40)	(560)
<b>Profit/(loss) for the year/period</b>	303,022	(2,153,195)	(3,838,847)	(3,088,131)	(352,094)
Attributable to:					
Owners of the Company	269,894	(2,160,250)	(3,838,847)	–	–
Non-controlling interests	33,128	7,055	–	–	–
	303,022	(2,153,195)	(3,838,847)	(3,088,131)	(352,094)
<b>Other comprehensive income/(loss)</b>					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	191,491	(166,440)	(13,725)	(23,317)	(377)
Share of other comprehensive income of associates, net	(6,918)	14,089	–	33,462	–
Reclassification of exchange difference upon deconsolidation of subsidiaries	–	–	(52,085)	(52,085)	–
Available-for-sale investments:					
Change in fair values	(2,829)	–	–	–	–
Reclassification of cumulative losses to the consolidated statement of profit or loss upon disposal of available-for-sale investments	1,497	–	–	–	–
Reclassification of cumulative gains to the consolidated statement of profit or loss upon disposal of an associate	(10,862)	–	–	–	–
Reclassification of exchange difference to the consolidated statement of profit or loss upon disposal of an associate	2,422	–	–	–	–

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

	For the year ended 31 March			For the six months ended 30 September	
	2018 <i>HK\$'000</i> (Audited)	2019 <i>HK\$'000</i> (Audited)	2020 <i>HK\$'000</i> (Audited)	2019 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
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)	–	296,213	(916,942)	(198,053)	139,653
<b>Other comprehensive income/(loss) for the year/period, net of tax</b>	174,801	143,862	(982,752)	(239,993)	139,276
<b>Total comprehensive income/(loss) for the year/period</b>	477,823	(2,009,333)	(4,821,599)	(3,328,124)	(212,818)
Attributable to:					
Owners of the Company	441,365	(1,972,198)	(4,821,599)	(3,328,124)	(212,818)
Non-controlling interests	36,458	(37,135)	–	–	–
	477,823	(2,009,333)	(4,821,599)	(3,328,124)	(212,818)
Earning/(loss) per share attributable to ordinary equity holders of the company					
Basic	HK\$0.18	(HK\$1.38)	(HK\$2.18)	(HK\$1.86)	(HK\$0.19)
Diluted	HK\$0.17	(HK\$1.38)	(HK\$2.18)	(HK\$1.86)	(HK\$0.19)

The Company did not declare any dividend for each of the three years ended 31 March 2018, 2019 and 2020, and the six months ended 30 September 2019 and 30 September 2020.

## Financial position of the Group

	As at 31 March		As at 30 September	
	2018 HK\$'000 (Audited)	2019 HK\$'000 (Audited)	2020 HK\$'000 (Audited)	2020 HK\$'000 (Unaudited)
<b>Assets and liabilities</b>				
Non-current assets	1,768,385	3,142,243	721,834	855,427
Current assets	6,822,737	2,937,071	397,749	681,094
Current liabilities	957,351	2,891,581	3,417,208	4,043,957
Net current assets/(liabilities)	5,865,386	45,490	(3,019,459)	(3,362,863)
Total assets less current liabilities	7,633,771	3,187,733	(2,297,625)	(2,507,436)
Non-current liabilities	2,622,416	61,442	33,606	36,613
Net assets/(liabilities)	5,011,355	3,126,291	(2,331,231)	(2,544,049)
Equity/(deficit) attributable to owners of the Company	4,303,741	2,456,710	(2,331,231)	(2,544,049)
Non-controlling interests	707,614	669,581	–	–
Total equity/(deficit)	5,011,355	3,126,291	(2,331,231)	(2,544,049)

## 3. STATEMENT OF INDEBTEDNESS

As at 31 March 2021, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group and the Retained Group had approximately HK\$4.39 billion and HK\$4.38 billion outstanding indebtedness respectively, comprising the following debts:

## (a) The Group

	HK\$
Interest-bearing borrowings	3,040,707,527
Other payables and accruals	1,304,051,224
Accounts payable	40,099,934
Lease liabilities	5,211,924
Deferred tax liability	2,560,587
Tax payable	602,290
<b>Total</b>	<b><u>4,393,233,486</u></b>



**(b) The Retained Group**

	<i>HK\$</i>
Interest-bearing borrowings	3,040,707,527
Other payables and accruals	1,285,389,679
Accounts payable	40,099,934
Lease liabilities	5,211,924
Amount due to Excluded Subsidiaries	3,571,206
Deferred tax liability	2,560,587
Tax payable	608
	<hr/>
<b>Total</b>	<b><u><u>4,377,541,465</u></u></b>

**Contingent liabilities**

Save as disclosed in “Appendix III – General Information – 9. Potential Claims and Litigations” in this circular, as at 31 March 2021, the Group did not have any other material contingent liabilities.

**Commitments*****Capital Commitment***

As at 31 March 2021, the Group did not have any material capital commitment.

***Operating lease commitment***

As at 31 March 2021, the Group did not have any operating lease commitment.

Save as disclosed above, as at 31 March 2021, the Group did not have any debt securities, any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance, outstanding convertible securities or other similar indebtedness, any guarantees or other material contingent liabilities.

To the best understanding and knowledge of the executive Directors and non-executive Directors, the executive Directors and non-executive Directors confirm that there had been no material changes to the indebtedness position of the Group since 31 March 2021 up to the Latest Practicable Date.

**4. WORKING CAPITAL**

The executive Directors and the non-executive Directors, after due and careful enquiry and based on the assumption that the proposed Restructuring will be successfully implemented, are of the opinion that, in the absence of unforeseen circumstances, following the completion of the Subscription and the ListCo Schemes becoming effective and taking into account of the financial resources available to the Retained Group, the Retained Group will have sufficient working capital for its requirements for at least the next 12 months from the date of this circular.

**5. MATERIAL CHANGE**

Save as disclosed below, the Provisional Liquidators, the executive Directors and the non-executive Directors confirmed that as at the Latest Practicable Date, there had been no material change in the financial or trading position or outlook of the Group since 31 March 2020, being the date to which the latest published audited financial statements of the Company were made up, and up to the Latest Practicable Date.

- (a) On 21 September 2020, Hansom Finance Limited (“**Hansom**”), a wholly-owned subsidiary of the Company, as assignor and Emperor Jade Group Limited, which is an Independent Third Party and not a Shareholder (“**Assignee A**”), as assignee entered into a deed of assignment, pursuant to which, Hansom agreed to sell, and Assignee A agreed to purchase, certain loans receivable for a consideration of approximately HK\$143 million with the carrying value of approximately HK\$298 million. On 29 October 2020, the consideration was paid in full by Assignee A.

**BUSINESS AND FINANCIAL PROSPECTS OF THE GROUP**

It is intended that the Retained Group will (a) continue to be principally engaged in the 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.

**Securities and futures brokerage services, placing, underwriting and margin financing services**

The Retained Group, via FSL (which is licensed under the SFO to carry out types 1, 4 and 9 regulated activities) and FCL (which is licensed under the SFO to carry out type 2 regulated activities), is engaged in the provision of securities brokerage, futures brokerage, margin financing, underwriting and placing services and operates under the name of “Freeman Securities”. Freeman Securities strives to become an online broker focusing on providing a digitalised global investment platform offering comprehensive products/services, with targeted customers in Asia Pacific regions. The segment revenue contributed by the provision of securities and futures brokerage, margin financing, underwriting and placing services for the years ended 31 March 2018, 2019 and 2020 and for the six months ended 30 September 2020 were approximately HK\$139.6 million, HK\$66.7 million, HK\$48.6 million and HK\$5.7 million, which accounted for approximately 27.9%, 89.3%, 70.9% and 77.3% of the total revenue, respectively.

***Securities and future brokerage businesses***

Freeman Securities has a relatively lean operation vis-à-vis its key competitors while it strives to offer quality digitalized services to clients. Leveraging its self-developed proprietary FinTech, Freeman Securities maintains its competitiveness in terms of speed and efficiency in trade execution, so as to reduce manpower in operation and maintain a streamlined and efficient organizational structure. The Group’s advanced financial technology also enables its clients to have instant access to the global securities and futures markets with competitive service fees offered by the Group.

Since the commencement of futures brokerage business in 2017, Freeman Securities devoted substantial resources to build up its client base and develop the advanced future online trading platform. According to the Futures Industry Association, the number of futures and options contracts traded at 80 exchanges worldwide reached approximately 46.8 billion in 2020, up 35.6% year-on-year compared with 2019. Furthermore, according to information available on the website of the Stock Exchange, trading volume of futures and options contract in the Stock Exchange has increased from HK\$116 million in 2010 to HK\$282 million in 2020, representing a CAGR of approximately 9.3%, with trading volume of futures growing at a CAGR of 10.3% and trading volume of options contract at a CAGR of approximately 8.6%. Therefore, the Provisional Liquidators, the executive Directors and the non-executive Directors believe that the Retained Group’s future brokerage business is presented with the opportunities of (a) increasing volatility in global capital markets which will continue to drive active trading in futures contracts across global futures exchanges; and (b) the steady year-on-year growth of the contract value and notional value of futures trading in Hong Kong for its organic growth.

The Retained Group is equipped with (a) online trading system and IT infrastructure to ensure clients' access to the securities and futures markets; (b) a diversified financial service platform offering a wide range of financial products; (c) a team of experienced and competent management team and professional staff; and (d) an in-depth market coverage for securities and futures markets. The Group has plans to further enhance its online trading system and IT infrastructure and recruit sales representatives with extensive network in algorithm trading, aiming for huge trading volume or frequent trader. As such, the Provisional Liquidators, the executive Directors and the non-executive Directors believe the aforementioned will help the Retained Group to expand the market and strengthen its position as a leading securities and futures brokerage firm in Hong Kong.

***Underwriting and placing businesses***

According to information available on the website of the Stock Exchange, equity fund raising through secondary market in Hong Kong has been active since 2013. Fund raised by ways of rights issue, placing and other methods (such as by way of warrants exercised, consideration issue and share option scheme on the Main Board) in 2018 were approximately HK\$32.2 billion, HK\$137.5 billion and HK\$79.7 billion respectively, representing a CAGR of approximately 0.9%, 7.0% and 1.2% over the year from 2013 to 2018 respectively. The Provisional Liquidators, the executive Directors and the non-executive Directors believe that the Retained Group, with its team of experienced and competent management team and professional staff, will be able to capture placing and underwriting project opportunities by leveraging the extensive network of such staff.

***Margin financing business***

The margin financing market has experienced an upward growth over the years. According to information available on the website of the SFC, the number of active margin clients has increased from 132,101 in 2010 to 601,842 in 2019. In addition, according to information available on the website of the Stock Exchange, IPO funds raised on the Main Board and GEM of the Stock Exchange amounted to HK\$398 billion in 2020 representing a CAGR of 20.4% since 2012. As such, the Provisional Liquidators, the executive Directors and the non-executive Directors are of the view that, following Completion, (a) the Retained Group may leverage the reputable background of the Investor and connections with various banks and (b) there will be an increase in demand from the clients of the Retained Group for margin financing and initial public offering financing services.

**Insurance brokerage and financial planning services**

The Retained Group, via FPWML and People, holds insurance broker licence under the Hong Kong Insurance Authority to carry out general and long-term business (including linked long term business) in Hong Kong, and maintains close relationship with over eight leading insurance companies. The segment revenue contributed by the provision of insurance brokerage services for the years ended 31 March 2018, 2019 and 2020 and for the six months ended 30 September 2020 were approximately HK\$8.4 million, HK\$16.8 million, HK\$7.5 million and HK\$1.7 million, which accounted for approximately 1.7%, 22.6%, 10.9% and 23.0% of the total revenue, respectively. The Retained Group intends to expand its footprint in general insurance brokerage business in the financial years ended 31 March 2022 through setting up a digitalised insurance platform by leveraging its latest proprietary technology.

**Asset management and advisory services**

The Retained Group, via People, is licensed under the SFO to carry out types 1, 4 and 9 regulated activities to provide asset management and advisory services. People has commenced the development of asset management and advisory services since 2021. The asset and wealth management market of Hong Kong has recorded strong growth in 2019. According to the Asset and Wealth Management Activities Survey 2019 published by the SFC, the assets under management of the asset and wealth management business in Hong Kong has increased by 20% year-on-year to HK\$28,769 billion as at 31 December 2019. The total number of staff in the growing asset and wealth management business market has also increased from 27,062 in 2017 to 45,132 in 2019. The Provisional Liquidators, the executive Directors and the nonexecutive Directors believe that the Retained Group will be able to capture the growth of the asset and wealth management market by enhancing the service offering to the clients of the Retained Group (such as establishing private equity funds), and in turn broaden its sources of income in the segment of asset management and advisory services in the long term.

**Corporate finance advisory services**

The Retained Group, via FCFL(HK), is licensed under the SFO to carry out type 6 regulated activities to provide corporate finance advisory services. It is intended that the Retained Group will begin to develop its corporate finance advisory business in the near future by, among others, recruiting the team head and the execution team.

Upon completion of the First Loan Conversion, the Subscription and the issue of the Scheme Shares, the financial position of the Retained Group will be turned around from net liabilities of approximately HK\$2,331 million as at 31 March 2020 to a pro-forma net asset value of HK\$182 million and a pro-forma net current asset value of approximately HK\$161 million. For details, please refer to “Appendix II – Unaudited Pro Forma Financial Information of The Remaining Group” in this circular. Accordingly, the Company has demonstrated that, upon Completion, it can maintain a sufficient level of operations and assets of sufficient value to support its operations to warrant a continued listing of the Shares, and fully satisfy the requirements under Rule 13.24 of the Listing Rules.

## **6. DISCLAIMER OF OPINION AND DISCLAIMER OF CONCLUSION OF IN THE AUDITOR**

Crowe (HK) CPA Limited, being the auditor of the Company, issued disclaimer of opinion on the Group’s financial statement for the two years ended 31 March 2019 and 2020, and disclaimer of conclusion on the Group’s interim financial information for the six months ended 30 September 2020. The auditor’s reports issued by Crowe (HK) CPA Limited in respect of the audited consolidated financial statements of the Group for the year ended 31 March 2018 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

The qualifications contained in the respective annual reports and interim report are extracted below:

### **Auditor’s Report for the year ended 31 March 2019**

Set out below is the auditor’s report extracted from the annual report of the Company for the year ended 31 March 2019. In this section, reference to notes are those of the consolidated financial statements contained in the annual report of the Company for the year ended 31 March 2019.

#### ***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 the disclosure requirements of the Hong Kong Companies Ordinance.

*Basis of Disclaimer of Opinion**Multiple uncertainties relating to going concern*

On 12 March 2019 and 10 April 2019, the Company received demand letters from lenders for immediate repayment of borrowings in outstanding principal amounts of HK\$784 million and HK\$429 million respectively. On 26 April 2019, the Company received a notice of event of default from another lender to reserve its right to demand immediate repayment for borrowings with an outstanding principal amount of HK\$777 million at 31 March 2019. On 10 June 2019, the Company received a notice of event of default and repayment from an additional lender for immediate repayment of borrowings in an outstanding principal, together with accrued interest amount of HK\$719 million. In addition, on 10 May 2019, the Company received a petition from one of the above lenders in the matter of 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 is insolvent and unable to pay its debts. 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 are taking measures to improve the liquidity and solvency position of the Group. These measures include (i) negotiations with potential strategic investors in respect of a possible equity contribution to the Company; (ii) negotiations with the lenders and other creditors to defer or roll over the bank and other borrowings of the Company, (iii) speeding up the collection of receivables process and (iv) tightening the operating cash outflows through cutting costs and capital expenditures.

As at the date of approval of these financial statements, these measures had not yet been concluded or implemented. 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 as described above. 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.

**Auditor's Report for the year ended 31 March 2020**

Set out below is the auditor's report extracted from the annual report of the Company for the year ended 31 March 2020. In this section, reference to notes are those of the consolidated financial statements contained in the annual report of the Company for the year ended 31 March 2020.

***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 the disclosure requirements of the Hong Kong Companies Ordinance.

***Basis of Disclaimer of Opinion******Deconsolidation of subsidiaries***

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 as disclosed in note 8 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 2020 and on its loss for the year ended 31 March 2020.



*Investments in associates*

As explained in note 15 to the consolidated financial statements, there is no sufficient financial information of the associates available at the date of this report because the management of the associates refused to provide such required financial information to the Group. Based on 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.

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 year ended 31 March 2020 have not been made available to us as at the date of this report; and (iii) the directors of the Company was 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, we were therefore unable to obtain sufficient appropriate audit evidence in relation to the estimate of (i) the Group's share of losses and other comprehensive income relating to investments in associates recognised in profit and loss and other comprehensive income for the year ended 31 March 2020; (ii) the carrying value of the Group's investments in associates as at 31 March 2020; (iii) the impairment loss of investments in associates for the year ended 31 March 2020; and (iv) the summarised financial information of associates disclosed in note 15.

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.

*Investment in an unlisted equity investment*

As explained in note 17 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 19.06% equity interest in an investment holding company ("**Entity A**") as at 31 March 2020 ("**FVOCI in Entity A**"). A fair value loss of HK\$841,762,000 have been recognised in the consolidated statement of comprehensive income during the year ended 31 March 2020 for FVOCI in Entity A.

In assessing the fair value of FVOCI in Entity A as at 31 March 2020, the directors of the Company adopted the net asset value ("**NAV**") 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 to estimate its fair value as described in note 17 to the consolidated financial statements. The Group, however, is unable to obtain sufficient financial information of Entity A as at and for the year ended 31 March 2020 because of the noncooperation 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 and the recognition of a fair value loss of HK\$841,762,000 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 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 asset values of Entity A. There were no other satisfactory audit procedures that we could perform to determine whether any adjustments to the carrying value of the FVOCI in Entity A as at 31 March 2020 were necessary.

*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 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 2020, the Group had net current liabilities and net liabilities of approximately HK\$3,019,459,000 and HK\$2,331,231,000 respectively. During the year ended 31 March 2020, the Group incurred a loss attributable to owners of the Company of approximately 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 has 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 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 financial statements, the implementations of these measures are still in progress. 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.

**Interim financial information for the six months ended 30 September 2020**

Set out below is extracted from the interim report of the Company for the six months ended 30 September 2020. In this section, reference to notes are those of the consolidated financial statements contained in the interim report of the Company for the six months ended 30 September 2020.

***Disclaimer of Conclusion***

We do not express a conclusion on the interim financial information of the Group. Because of the matters as described in the Basis for Disclaimer of Conclusion section of our report, it is not possible for us to form a conclusion on the interim financial information.

*Basis of Disclaimer of Conclusion**Deconsolidation of subsidiaries*

As explained in note 2 to the condensed 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 information to satisfy ourselves as to whether:

- (i) the loss on deconsolidation of the subsidiaries of approximately HK\$2,092,200,000 for the period ended 30 September 2019 as disclosed in note 7 as well as the related disclosures set out in the notes to the condensed 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 30 September 2020 and 31 March 2020 and on its loss for the periods ended 30 September 2020 and 2019.

*Investments in associates*

As explained in note 14 to the condensed consolidated financial statements, there is no sufficient financial information of the associates available at the date of this report 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 period ended 30 September 2020. As (i) it was not practicable for a review to be performed by us 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 year ended 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 30 September 2020, we were therefore unable to obtain sufficient information in relation to (i) the estimate 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 period ended 30 September 2020; (ii) the estimate of the carrying value of the Group's investments in associates as at 30 September 2020 and 31 March 2020; (iii) whether the accumulated losses of the Group as at 1 April 2020 resulted from the impairment loss of investments in associates for the year ended 31 March 2020 are free from material misstatement; and (iv) whether the investment in FreeOpt Holdings Limited had been properly accounted for, classified, presented and disclosed in the condensed consolidated financial statements as at and for the period ended 30 September 2020.

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 condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income and the condensed consolidated statement of changes in equity.

*Investment in an unlisted equity investment*

As explained in note 15 to the condensed 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 30 September 2020 ("**FVOCI in Entity A**").

In assessing the fair value of FVOCI in Entity A as at 30 September 2020, the directors of the Company adopted the net asset 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 to estimate its fair value as described in note 15 to the condensed consolidated financial statements. The Group, however, is unable to obtain sufficient financial information of Entity A as at and for the period ended 30 September 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 information we considered necessary to assess the appropriateness of the basis of valuation of the FVOCI in Entity A as at 30 September 2020 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 value of the FVOCI in Entity A as at 30 September 2020 and 31 March 2020 were necessary.

*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 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 30 September 2020, the Group had net current liabilities and net liabilities of approximately HK\$3,362,863,000 and HK\$2,544,049,000 respectively. During the period ended 30 September 2020, the Group incurred a loss attributable to ordinary equity holders of the Company of approximately HK\$352,094,000. 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 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 financial statements, the implementations of these measures are still in progress. The validity of the going concern assumption on which the condensed consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the measures taken by the directors of the Company. The condensed 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 condensed 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.

**Further information in relation to the disclaimer of opinion and disclaimer of conclusion of the auditor of the Company**

*Deconsolidated Subsidiaries*

Set out below is a list of the Deconsolidated Subsidiaries:

<b>List of companies involved</b>	<b>% of the Company's indirect interest in the companies</b>	<b>Business activities</b>
Wins Finance Holdings Inc.	67.75%	Investment holding
Wins Finance Group Limited	67.75%	Investment holding
Full Shine Capital Resources Limited	67.75%	Investment holding

<b>List of companies involved</b>	<b>% of the Company's indirect interest in the companies</b>	<b>Business activities</b>
Jinshang International Financial Leasing Co., Ltd* (晉商國際融資租賃有限公司)	67.75%	Finance leasing
Shanxi Jinchen Agriculture Co., Ltd* (山西晉辰農業有限公司)	67.75%	Investment holding
Tianjin Jinshang Jiaming Financial Leasing Co., Ltd (deregistered)* (天津晉商嘉銘融資租賃有限公司)	67.75%	Holding of asset management products
Shanxi Dongsheng Finance Guarantee Co., Ltd* (山西棟盛融資擔保有限公司)	67.75%	Lease/guarantee and holding of asset management products

\* These entities are registered in Chinese names only and their English names disclosed above are for identification only.

The Deconsolidated Subsidiaries were acquired by the Group in 2017 at an aggregate consideration of US\$260,000,000 (equivalent to HK\$2,028,000,000) with the aim of extending its financial services business in the PRC and pursuing new opportunities in the financial service industry.

***Difficulties in obtaining the financial records and the steps taken to recover or retrieve the books and records***

Due to the resignation of certain senior management personnel of the Company and noncooperation of the management of the Deconsolidated Subsidiaries, the Company had been unable to obtain or gain access to the books and records and assets of the Deconsolidated Subsidiaries.

The said resigned senior management personnel included (i) Mr Yang Haoying, a former executive Director; and (ii) Mr. Zhou Zhide, a former employee of the Group.



Mr. Yang Haoying was an executive Director for the period from 20 October 2016 to 1 July 2020. He also acted as a director of Wins Finance Holdings Inc. from 19 November 2019 to 25 May 2020.

Mr. Zhou Zhide was a general manager of one of the subsidiaries of the Group for the period from 1 November 2017 to 18 March 2020. He also acted as the Chief Operating Officer of Wins Finance Holdings Inc. from 19 November 2019 to 25 May 2020.

Both Mr. Yang Haoying and Mr. Zhou Zhide tendered their resignation from their respective positions in Wins Finance Holdings Inc. on 25 May 2020. Following their resignations, there was no personnel appointed or nominated by the Group being involved in the board of directors or the management of Wins Finance Holdings Inc.. As at the Latest Practicable Date, no existing Directors or management of the Group had been involved in the business operation of the Deconsolidated Subsidiaries.

Following the appointment of the Provisional Liquidators, despite numerous requests made by the Provisional Liquidators and the Company, the management of Wins Finance Holdings Inc. still refused to provide the latest financial information or allow the Provisional Liquidators access to sufficient books and records of Wins Finance Holdings Inc..

In or around April 2020, the representatives of the Provisional Liquidators had a meeting with the local management of Wins Finance Holdings Inc. in Beijing, the PRC and requested the management to provide them with the latest financial and/or operational information. However, only very limited, piecemeal and incomplete information was provided. Subsequently, the Provisional Liquidators have instructed their lawyers to issue letters to the management of Wins Finance Holdings Inc. to request for more financial and/or operational information. Despite the above, only very limited information was provided by Wins Finance Holdings Inc..

*Investment in the Associates and FVOCI in Entity A**Associates*

Set out below is list of the Associates:

<b>List of companies involved</b>	<b>The Group's indirect interest in the companies</b>	<b>Business activities</b>
FreeOpt Holdings Limited	17.61%	Provision of finance and money lending
Jocasta Ventures Ltd.	28.13%	Provision of finance and money lending
Imagination Holding Limited	2.74% – held directly by More Wins Limited, a wholly-owned subsidiary of the Company	Investment holding
	Unknown – held indirectly through FreeOpt Holdings Limited <sup>(Note)</sup>	

*Note:* On 23 September 2020, the Provisional Liquidators were informed by the solicitor of FreeOpt Holdings Limited that the Company's shareholding in FreeOpt Holdings Limited was diluted from 31.38% as at 31 March 2020 to 17.61% as of 23 September 2020. The effect of dilution and the Group's shareholding interest in Imagination Holding Limited was unknown. Before the dilution, Imagination Holding Limited was held indirectly as to 29% by the Group through FreeOpt Holdings Limited.

The Group acquired the abovementioned interest in FreeOpt Holdings Limited in 2016 at the consideration of HK\$150,000,000, with an aim of forging strategic alliance with China Optoelectronics Holding Group Co., Limited, which would increase opportunities on gaining synergy from merging financial resources, experience and expertise in the money lending business of the Group and China Optoelectronics Holding Group Co., Limited, and also expand customer networks of the Group.

The Group obtain the interests in Jocasta Ventures Ltd. through a distribution in specie in 2018.

The above-mentioned interest in Imagination Holding Limited was acquired by the Group in 2018 at the consideration of HK\$144,500,000. The then Directors believed that the proposed subscription would increase the Group's market competitiveness and create more business opportunities to the Group as to enhance the values to the Company and its Shareholders

*FVOCI in Entity A*

The Company was indirectly interested in approximately 15.2% of the issue share capital of Entity A. The Group acquired such interest in 2018 at the consideration of HK\$600,000,000, with the aim of pursuing new investment opportunities in the financial services industry for capital appreciation and potential lucrative returns.

*Difficulties in obtaining the financial records and the steps taken to recover or retrieve the books and records*

The Group is only a minority shareholder of the Associates and Entity A, and has no involvement in the operations of the Associates and Entity A. Following the appointment of the Provisional Liquidators, the Provisional Liquidators had made repeated requests to the Associates and Entity A to obtain the relevant financial information documents for the purpose of performing annual audit of the Group. However, only very limited financial information of the Associates and Entity A was provided to the Company, which was insufficient for completing an annual audit.

Subsequently, the Provisional Liquidators instructed their lawyers to issue a letter to the legal representative of the Associates and Entity A respectively to request for more financial information for the purpose of annual audit. Such request was refused by the legal advisers of the Associates and Entity A.

In addition, on 23 September 2020, the Company was informed by legal representative of the Associates and Entity A by way of letters that the Group's shareholdings in Entity A, FreeOpt Holdings Limited and Jocasta Ventures Ltd. were diluted from 19.06%, 31.38% and 36.17% respectively as at 31 March 2020 to 15.20%, 17.61% and 28.13% respectively as at 23 September 2020 (the "Alleged Dilution").

*Basis for recognition of the relevant impairment loss on the investment in Associates and the relevant fair value loss in the FVOCI in Entity A**Insufficient financial information available for estimation of the value of investments in the Associates and Entity A for the purpose of annual audit of the Group*

Due to insufficient financial information made available to the Company, it was not possible to conduct an estimation on the assets and liabilities of the Associates and Entity A, thus the Company was not able to assess or estimate the value of investments in the Associates and Entity A.

*No potential investors identified for acquiring the shares of the Associates and Entity A*

Following the appointment of the Provisional Liquidators, the Provisional Liquidators conducted a tender process by way of sending a tender process memorandum with details of the proposed Restructuring and/or acquisition opportunities with options including separate acquisition(s) of investments in Entity A, FreeOpt Holdings Limited and/or Jocasta Ventures Ltd., to over 70 parties which may have interest in the assets of the Group. Given the shares of the Associates and Entity A are not publicly listed, no potential investors have been identified for acquiring the shares of the Associates and Entity A in the tender process conducted by the Provisional Liquidators.

*Inability to ascertain the Group's shareholders' rights over the Associates and Entity A due to lack of books and records made available to the Provisional Liquidators*

As detailed above, the Group's shareholdings in Entity A, FreeOpt Holdings Limited and/or Jocasta Ventures Ltd. had been allegedly diluted. According to the information made available to the Provisional Liquidators, no notice(s) was sent or provided to the Group in relation to any shareholders' meeting(s) to resolve the shares allotments and/or subscription of shares. Therefore, the management of the Group and the Provisional Liquidators have no knowledge whether any meeting(s) of members of Entity A, FreeOpt Holdings Limited and/or Jocasta Ventures Ltd. had been convened for approving the Alleged Dilution. In addition, insufficient books and records of the Associates and Entity A were made available to the Provisional Liquidators to ascertain the Group's right and entitlement as shareholders of the Associates and Entity A.

*Likelihood of realising the investments in Associates and Entity A may be remote*

Considering (a) the Group neither has sufficient books and records of the Associates and Entity A nor information/documents in relation to the assets and liabilities owned by the Associates and Entity A; and (b) the Group did not receive feasible acquisition plans from any potential investors during the tender process for the proposed disposal of the Associates and Entity A, the chance of disposing of the Associates and Entity A may be remote.

The holding companies of the Associates and the FVOCI in Entity A were part of the Excluded Subsidiaries. As detailed in the paragraph headed "The Restructuring Deed – The ListCo Schemes" in this letter, the Group will undergo the Group Reorganisation, pursuant to which the entire interests in the Excluded Subsidiaries will be transferred to the ListCo Schemes SchemeCo at a nominal value.

**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP****1. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE RESTRUCTURED GROUP**

The accompanying unaudited pro forma consolidated statement of financial position as at 31 March 2020, and unaudited pro forma consolidated statement of profit or loss and unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2020 (collectively the “**Unaudited Pro Forma Financial Information**”) of the Company together with the Retained Subsidiaries upon Resumption or completion of the First Loan Conversion and the Subscription (the “**Restructured Group**”) has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the proposed Restructuring of the Restructured Group on the financial position and financial performance of the Restructured Group as if the proposed Restructuring has been completed on 31 March 2020.

The Unaudited Pro Forma Financial Information of the Restructured Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2020, audited consolidated statement of profit of loss and audited consolidated statement of cash flows of Freeman FinTech Corporation Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2020, and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the proposed Restructuring had been completed on 31 March 2020.

The Unaudited Pro Forma Financial Information of the Restructured Group is prepared based on a number of assumptions, estimates, uncertainties and the currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information of the Restructured Group, it may not give a true picture of the actual financial position of the Restructured Group that would have been attained had the proposed Restructuring actually occurred on that date indicated herein.

Furthermore, the Unaudited Pro Forma Financial Information of the Restructured Group does not purport to predict the Restructured Group’s future financial position. The Unaudited Pro Forma Financial Information of the Restructured Group should be read in conjunction with the financial information of the Group as set out in the circular and other financial information included elsewhere in this circular.

**APPENDIX II**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**
**2. UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION OF THE  
RESTRUCTURED GROUP**
*AS AT 31 MARCH 2020*

	Pro forma adjustments								Restructured Group 31/3/2020 HK\$'000
	Provision of the First Loan Proforma adj #1 HK\$'000 (Note 2)	Provision of the Second Loan Proforma adj #2 HK\$'000 (Note 3)	Subscription, First Loan Conversion and issuance of Scheme Shares Proforma adj #3 HK\$'000 (Note 4)	Disposal SSCL Proforma adj #4 HK\$'000 (Note 5)	Payment of Scheme Cash Consideration Proforma adj #5a HK\$'000 (Note 6a)	Effective of Scheme Proforma adj #5b HK\$'000 (Note 6b)	Share Premium Cancellation Proforma adj #6 HK\$'000 (Note 7)		
<b>NON-CURRENT ASSETS</b>									
Property, plant and equipment	14,985					(14,926)		59	
Goodwill	1,505							1,505	
Intangible assets	17,145							17,145	
Other financial assets	686,005			(660,301)		(25,704)		-	
Prepayments and deposits	2,194							2,194	
<b>Total non-current assets</b>	<b>721,834</b>							<b>20,903</b>	
<b>CURRENT ASSETS</b>									
Accounts receivable	22,005							22,005	
Loans receivable	143,040					(143,040)		-	
Prepayments, deposits and other receivables	80,028					(7,628)		72,400	
Investments at fair value through profit or loss	3,071					(3,071)		-	
Cash and bank balances	149,605			80,000		(80,000)	(18,800)	130,805	
<b>Total current assets</b>	<b>397,749</b>							<b>225,210</b>	
<b>CURRENT LIABILITIES</b>									
Accounts payable	(14,437)							(14,437)	
Other payables and accruals	(664,851)				162,423		492,689	(9,739)	
Lease liabilities	(12,232)						12,232	-	
Interest-bearing borrowings	(2,725,687)	156,175			484,763	80,000	2,004,749	-	
Other loans	-	(161,175)	(40,000)	161,175				(40,000)	
Tax payable	(1)							(1)	

**APPENDIX II**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	Pro forma adjustments								Restructured Group 31/3/2020 HK\$'000
	The Group 31/3/2020 HK\$'000 (Note 1)	Provision of the First Loan Proforma adj #1 HK\$'000 (Note 2)	Provision of the Second Loan Proforma adj #2 HK\$'000 (Note 3)	Subscription, First Loan Conversion and issuance of Scheme Shares Proforma adj #3 HK\$'000 (Note 4)	Payment of SSCL Disposal Proforma adj #4 HK\$'000 (Note 5)	Scheme Cash Consideration Proforma adj #5a HK\$'000 (Note 6a)	Effective of Scheme Proforma adj #5b HK\$'000 (Note 6b)	Share Premium Cancellation Proforma adj #6 HK\$'000 (Note 7)	
Total current liabilities	<u>(3,417,208)</u>								<u>(64,177)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<u><b>(3,019,459)</b></u>								<u><b>161,033</b></u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u><b>(2,297,625)</b></u>								<u><b>181,936</b></u>
<b>NON-CURRENT LIABILITIES</b>									
Other payables	-								-
Interest-bearing borrowings	(30,000)					30,000			-
Other payable-lease liability	(1,045)					1,045			-
Deferred tax liability	<u>(2,561)</u>					2,542			<u>(19)</u>
Total non-current liabilities	<u>(33,606)</u>								<u>(19)</u>
<b>NET ASSETS/ (LIABILITIES)</b>	<u><b>(2,331,231)</b></u>								<u><b>181,917</b></u>
<b>EQUITY</b>									
Issued capital	18,682			168,136					186,818
Share premium account	2,783,184			73,039				(2,775,791)	80,432
Reserves	(672,276)								(672,276)
Retained profits	<u>(4,460,821)</u>	(5,000)	(40,000)		(13,115)		2,330,088	2,775,791	<u>586,943</u>
Total equity	<u><b>(2,331,231)</b></u>								<u><b>181,917</b></u>

**APPENDIX II**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**
**3. UNAUDITED PRO FORMA STATEMENT OF PROFIT OR LOSS OF THE  
RESTRUCTURED GROUP**

FOR THE YEAR ENDED 31 MARCH 2020

	Pro forma adjustments								Restructured Group 31/3/2020 HK\$'000
	Provision of the First Loan Proforma adj #1 HK\$'000 (Note 2)	Provision of the Second Loan Proforma adj #2 HK\$'000 (Note 3)	Subscription, First Loan Conversion and issuance of Scheme Shares Proforma adj #3 HK\$'000 (Note 4)	SSCL Disposal Proforma adj #4 HK\$'000 (Note 5)	Payment of Scheme Cash Consideration Proforma adj #5a HK\$'000 (Note 6a)	Effective of Scheme Proforma adj #5b HK\$'000 (Note 6b)	Share Premium Cancellation Proforma adj #6 HK\$'000 (Note 7)		
<b>Turnover</b>									<b>68,529</b>
<b>Cost of sales</b>									<b>(35,262)</b>
<b>Gross Profit/(Loss)</b>									<b>33,267</b>
<b>Other operating income</b>									<b>1,714</b>
<b>Investment Income</b>									<b>995</b>
<b>Administrative expenses</b>									<b>(117,525)</b>
<b>Other operating expenses</b>	(3,063,589)	(5,000)	(40,000)		(13,115)		2,330,088		<b>(791,616)</b>
Gain/(loss) on changes in fair value of investments held for trading									<b>(20,460)</b>
Impairment loss on investments									<b>(341,674)</b>
Gain/(loss) on disposal of PPE									<b>(40)</b>
Gain/(loss) on disposal of subsidiaries									<b>(2,092,200)</b>
(Provision)/reversal of provision for impairment of loans receivable									<b>(266,085)</b>
(Provision)/reversal of provision for impairment of accounts receivable									<b>191</b>
(Provision)/reversal of provision for impairment of factoring receivable									<b>(297,529)</b>
(Provision)/reversal of provision for impairment of prepayments and other receivables									<b>(45,792)</b>



**APPENDIX II**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	Pro forma adjustments								Restructured Group 31/3/2020 HK\$'000
	Provision of the First Loan Proforma adj #1 HK\$'000 (Note 2)	Provision of the Second Loan Proforma adj #2 HK\$'000 (Note 3)	Subscription, First Loan Conversion and issuance of Scheme Shares Proforma adj #3 HK\$'000 (Note 4)	Disposal SSCL Proforma adj #4 HK\$'000 (Note 5)	Payment of Scheme Cash Consideration Proforma adj #5a HK\$'000 (Note 6a)	Effective of Scheme Proforma adj #5b HK\$'000 (Note 6b)	Share Premium Cancellation Proforma adj #6 HK\$'000 (Note 7)		
Restructuring expenses	-	(5,000)	(40,000)	(30,814)				(75,814)	
Revaluation gain on disposal of investment in joint venture	-			17,699				17,699	
Gain on restructuring debt	-					2,330,088		2,330,088	
<b>Profit/(Loss) from operations</b>	<b>(3,145,138)</b>							<b>(873,166)</b>	
<b>Finance Costs</b>	<b>(695,527)</b>							<b>(695,527)</b>	
Bank interest expenses	(1,478)							(1,478)	
Other finance cost	(11,937)							(11,937)	
Interest expenses	(682,112)							(682,112)	
<b>Profit/(Loss) before tax</b>	<b>(3,840,665)</b>							<b>(1,568,693)</b>	
<b>Taxation</b>	<b>1,818</b>							<b>1,818</b>	
<b>Profit/(Loss) for the year</b>	<b>(3,838,847)</b>							<b>(1,566,875)</b>	

**APPENDIX II**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**
**4. UNAUDITED PRO FORMA STATEMENT OF CASH FLOW OF THE  
RESTRUCTURED GROUP**

FOR THE YEAR ENDED 31 MARCH 2020

	Pro forma adjustments								Restructured Group 31/3/2020 HK\$'000
	Provision of the First Loan Proforma adj #1 HK\$'000 (Note 2)	Provision of the Second Loan Proforma adj #2 HK\$'000 (Note 3)	Subscription, First Loan Conversion and issuance of Scheme Shares Proforma adj #3 HK\$'000 (Note 4)	Disposal SSCL Proforma adj #4 HK\$'000 (Note 5)	Payment of Scheme Cash Consideration Proforma adj #5a HK\$'000 (Note 6a)	Effective of Scheme Proforma adj #5b HK\$'000 (Note 6b)	Share Premium Cancellation Proforma adj #6 HK\$'000 (Note 7)		
Loss before tax	(3,840,665)	(5,000)	(40,000)	(13,115)		2,330,088		(1,568,692)	
<b>Cash flow from continuing operation</b>									
Adjustments for:									
Finance costs	695,527							695,527	
Interest income	(16,391)							(16,391)	
Depreciation	13,254							13,254	
at fair value through profit or loss, net	20,460							20,460	
Loss on disposal/write-off of items of PPE	40							40	
Provision for impairment loans receivable	266,085							266,085	
Provision for impairment Accounts receivable	(191)							(191)	
Provision for impairment Factoring receivables	297,529							297,529	
Provision for impairment prepayments	45,792							45,792	
Impairment on investments in associates	341,674							341,674	
Loss on deconsolidation of subsidiaries	2,092,200							2,092,200	
Revaluation gain	-			(17,699)				(17,699)	
Gain on restructuring debt	-					(2,330,088)		(2,330,088)	
	(84,686)							(160,500)	

**APPENDIX II**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	Pro forma adjustments								Restructured Group 31/3/2020 HK\$'000
	Provision of the First Loan Proforma adj #1 HK\$'000 (Note 2)	Provision of the Second Loan Proforma adj #2 HK\$'000 (Note 3)	Subscription, First Loan Conversion and issuance of Scheme Shares Proforma adj #3 HK\$'000 (Note 4)	Payment of SSCL Disposal Proforma adj #4 HK\$'000 (Note 5)	Scheme Cash Consideration Proforma adj #5a HK\$'000 (Note 6a)	Effective of Scheme Proforma adj #5b HK\$'000 (Note 6b)	Share Premium Cancellation Proforma adj #6 HK\$'000 (Note 7)		
Decrease/(increase) in accounts receivable	29,088							29,088	
Decrease/(increase) in loans receivable	50,000							50,000	
Increase in prepayments, deposits and other receivables	(38,220)							(38,220)	
Increase/(decrease) in accounts payable	(3,171)							(3,171)	
Increase/(decrease) in other payables and accruals	(1,301)							(1,301)	
Cash used in operations	(48,290)							(124,104)	
Interest received	3,821							3,821	
Interest paid	(28,569)			(162,423)				(190,992)	
Hong Kong profits tax paid	(870)							(870)	
Net cash flows used in operating activities	(73,908)							(312,145)	
<b>Cash flows from investing activities</b>									
Additions to property, plant and equipment	(3)							(3)	
Net cash outflow arising on deconsolidation of subsidiaries	(25,400)					(18,800)		(44,200)	
Disposal of investment in joint venture	-			678,000				678,000	
Net cash flows used in investing activities	(25,403)							633,797	

**APPENDIX II**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	Pro forma adjustments								Restructured Group 31/3/2020 HK\$'000
	Provision of the First Loan Proforma adj #1 HK\$'000 (Note 2)	Provision of the Second Loan Proforma adj #2 HK\$'000 (Note 3)	Subscription, First Loan Conversion and issuance of Scheme Shares Proforma adj #3 HK\$'000 (Note 4)	Payment of SSCL Disposal Proforma adj #4 HK\$'000 (Note 5)	Scheme Cash Consideration Proforma adj #5a HK\$'000 (Note 6a)	Effective of Scheme Proforma adj #5b HK\$'000 (Note 6b)	Share Premium Cancellation Proforma adj #6 HK\$'000 (Note 7)		
<b>Cash flows from financing activities</b>									
Proceeds from issue of share capital	43,500		80,000					123,500	
Payment for lease liability	(13,932)							(13,932)	
Increase in other loans from investor	-	161,175	40,000					201,175	
Repayment of interest- bearing borrowings	-	(156,175)		(484,763)	(80,000)			(720,938)	
Net cash flows from financing activities	<u>29,568</u>							<u>(410,195)</u>	
Net increase in cash and cash equivalents	(69,743)							(88,543)	
Cash and cash equivalent at beginning of year	222,143							222,143	
Effect of foreign exchange rate changes, net	<u>(2,795)</u>							<u>(2,795)</u>	
Cash and cash equivalents at end of year	149,605		80,000		(80,000)	(18,800)		130,805	
Analysis of balances of cash and cash equivalents									
Cash and bank balances	<u>149,605</u>		80,000		(80,000)	(18,800)		<u>130,805</u>	
	<u>-</u>							<u>-</u>	

**NOTES TO THE UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION OF  
THE RESTRUCTURED GROUP**

- (1) The statement of financial position of the Group is extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2020 as set out in the Annual Report of the Company for the year ended 31 March 2020.
- (2)
  - (a) The adjustment represents the provision of the First Loan to the Company by the Investor pursuant to the First Loan Agreement.
  - (b) The adjustment also reflects the payment of an amount of HK\$156,174,982, being the net First Loan proceeds after deducting the estimated transaction fees of HK\$5 million incurred from the disposal of the Licensed Corporations, for the partial settlement to the LC Secured Lender upon all the relevant conditions in relation to the release of proceeds of the First Loan as set out in the First Loan Agreement being satisfied.
- (3) The adjustment represents the provision of the Second Loan to the Company by the Investor pursuant to the Second Loan Agreement, the proceeds of which are to be utilised as settlement of the costs and expenses, fees and charges of the proposed Restructuring and working capital of the Group.
- (4)
  - (a) The adjustment reflects the effect of the First Loan Conversion, the Subscription and the issuance of Scheme Shares in the event that the Resumption is approved by the Stock Exchange (whether conditionally or unconditionally). The First Loan Conversion Shares, the Subscription Shares and the Scheme Shares will be allotted and issued simultaneously.
  - (b) The adjustment also reflects the cash payment of HK\$80 million made by the Investor to the Company for the Subscription in the event that the Resumption is approved by the Stock Exchange (whether conditionally or unconditionally).

- (5) The adjustment represents the disposal of the equity interest in SSCL and it reflects the derecognition of other financial assets of the Group and such effect on the Restructured Group. The adjustment reflects the utilisation of proceeds as partial settlement of principal and interests accrued thereon of the loan to SSCL Secured Creditor

	<i>HK\$'000</i>
Other financial assets disposed of	660,301
Revaluation Gain	<u>17,699</u>
<b>Total consideration – satisfied by cash</b>	<b>678,000</b>
<b>Allocation of proceeds from the disposal of equity interests in SSCL</b>	
Settlement of transaction costs and expenses including PRC tax, relevant agent fees	30,814
Partial settlement of the outstanding liabilities due to the SSCL Secured Creditor	591,620
Partial settlement of the outstanding liabilities due to the LC Secured Lender	<u>55,566</u>
	<u><u>678,000</u></u>

- (6) (a) The adjustment reflects the injection of Subscription Proceeds in the sum of HK\$80 million to the ListCo Schemes as the Scheme Cash Consideration, to discharge the liabilities of the Company under the ListCo Schemes and pay the costs and expenses for the implementation of the ListCo Schemes.
- (b) This adjustment represents the transfer of the entire equity interests in the Excluded Subsidiaries, which are directly or indirectly held by the Company, to the SchemeCo at a nominal value. This adjustment also represents all claims of the ListCo Creditors against the Company as at the Effective Date will be fully and finally discharged by virtue of the implementation of the ListCo Schemes.

HK\$'000

*Transfer of assets of the Excluded Subsidiaries to the SchemeCo*

Property, plant and equipment	(14,926)
Other financial assets	(25,704)
Loans receivable	(143,040)
Prepayments, deposits and other receivables	(7,628)
Investments at fair value through profit or loss	(3,071)
Cash and bank balances	(18,800)

*Transfer of liabilities of the Excluded Subsidiaries to the SchemeCo*

Other payables and accruals	6,392
Lease liability	13,277

*Discharge of all claims of the ListCo Creditors against the Company  
upon effective date of the Listco Schemes*

Interest-bearing borrowings	2,034,749
Other payables and accruals	486,297
Deferred tax liabilities	2,542

Gain on debt restructuring by way of scheme of arrangement	<u>2,330,088</u>
--	------------------

- (7) This adjustment represents the proposed Share Premium Cancellation. An amount of approximately HK\$2.78 billion standing to the credit of the share premium account of the Company shall be cancelled, and the credit arising therefrom be credited to the contributed surplus account of the Company, which may be used in any manner permitted by the Bye-laws including, without limitation, to set off against the accumulated losses of the Company.

5. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET  
TANGIBLE ASSETS OF THE RESTRUCTURED GROUP AS AT 31 MARCH 2020

		<i>HK\$'000</i>
Consolidated net liabilities of the Group	<i>(Note 1)</i>	(2,331,230)
Less: Intangible assets	<i>(Note 2)</i>	<u>(18,650)</u>
Consolidated net tangible liabilities of the Group		<u><u>(2,349,880)</u></u>
		<i>HK\$</i>
Consolidated net tangible liabilities of the Group per share	<i>(Note 3)</i>	(1.26)
		<i>HK\$'000</i>
Unaudited pro forma adjusted consolidated net assets of the Restructured Group	<i>(Note 4)</i>	181,917
Less: Intangible assets		<u>(18,650)</u>
Unaudited pro forma adjusted consolidated net tangible assets of the Restructured Group		<u><u>163,267</u></u>
		<i>HK\$</i>
Unaudited pro forma adjusted consolidated net tangible assets of the Restructured Group per share	<i>(Note 5)</i>	<u><u>0.0087</u></u>

*Notes:*

- (1) The consolidated net tangible liabilities of the Group as at 31 March 2020 is extracted from the audited consolidated statement of financial position of the Group as at 31 March 2020.
- (2) The adjustment represents the exclusion of the intangible assets of the Group of approximately HK\$18,650,000, comprising the goodwill of approximately HK\$1,505,000 and other intangible assets of approximately HK\$17,145,000, as at 31 March 2020.
- (3) The number of shares used for the calculation of the consolidated net tangible liabilities of the Group per share is 1,868,176,188, being the number of shares in issue as at 31 March 2020.



(4) The unaudited pro forma adjusted consolidated net assets of the Restructured Group as at 31 March 2020 is extracted from the unaudited pro forma consolidated statement of financial position of the Restructured Group.

(5) The number of shares used for the calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Restructured Group per share is 18,681,761,880, including the effect of the completion of the First Loan Conversion, the Subscription and the Issuance of Scheme Shares. The number of shares is calculated as follows:

Number of shares in issue as at 31 March 2020	1,868,176,188
First Loan Conversion	14,945,409,504
Subscription and Issuance of Scheme Shares	<u>1,868,176,188</u>

Number of shares including the effect of completion of the First Loan Conversion, the Subscription and the Issuance of Scheme Shares	<u><u>18,681,761,880</u></u>
---	------------------------------

(6) Apart from the above, no adjustments have been made to the unaudited pro forma statement of the adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Restructured Group entered into subsequent to 31 March 2020.

**INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN A  
CIRCULAR****To the Directors of Freeman FinTech Corporation Limited**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Freeman FinTech Corporation Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the executive directors and non-executive directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma net asset statement as at 31 March 2020, the unaudited pro forma income statement for the year ended 31 March 2020, unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2020, and related notes as set out on pages II-2 to II-12 of the circular issued by the Company dated 26 May 2021 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in page II-1 of the Circular under the heading of “Introduction to the Unaudited Pro Forma Financial Information of the Restructured Group”.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the events or transactions as stated in the Circular, which include the provision of First Loan and Second Loan by the Investor, Subscription, Share Premium Cancellation, Debt Restructuring by the way of implementation of Scheme and the Group Reorganisation (as defined in the section headed “Definitions” of the Circular on the Group’s financial position as at 31 March 2020 and the its financial performance and cash flows for the year ended 31 March 2020 as if the events or transactions had taken place at 31 March 2020. As part of this process, information about the Group’s financial position, financial performance and cash flows has been extracted by the Directors from the Group’s financial statements for the year ended 31 March 2020, on which an audit report has been published.

The audit report for the consolidated financial statements of the Group for the year ended 31 March 2020 contain a disclaimer of opinion on the Group’s ability to continue as a going concern, as more fully described in Appendix I to the Circular. These facts and circumstances indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern.

**Directors’ Responsibility for the Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Crowe CPA (HK) Limited**  
*Certified Public Accountants*  
Hong Kong, 26 May 2021

**1. RESPONSIBILITY STATEMENTS****(a) Responsibility statements under the Listing Rules**

This circular, for which the Provisional Liquidators, the executive Directors and the non-executive Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information regarding the Company. The Provisional Liquidators, executive Directors and the non-executive Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information (save for the information relating to the Investor and the proposed Directors) contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular, for which the sole director of the Investor, Mr. Xu Hao and the ultimate beneficial owner of the Investor, Dr. Cheng Chi-Kong collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information regarding the Investor and the proposed Directors. The sole director of the Investor, Mr. Xu Hao and the ultimate beneficial owner of the Investor, Dr. Cheng Chi-Kong, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information with regard to the Investor and the proposed Directors contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**(b) Responsibility statements under the Takeovers Code**

This circular includes particulars given in compliance with the Takeovers Code.

The executive Directors, the non-executive Directors and the Provisional Liquidators jointly and severally accept full responsibility for the accuracy of the information (save for the information relating to the Investor and the proposed Directors) contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the sole director and the ultimate beneficial owner of the Investor) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The sole director of the Investor, Mr. Xu Hao and the ultimate beneficial owner of the Investor, Dr. Cheng Chi-Kong, jointly and severally accept full responsibility for the accuracy of the information relating to the Investor and the proposed Directors contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by the them in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following (a) completion of the First Loan Conversion, the Subscription, the issue of the Scheme Shares; and (b) completion of the First Loan Conversion, the Subscription, the issue of the Scheme Shares, the Placing Down and the Second Loan Conversion, assuming there is no Further Drawdown, were as follows:

### (a) As at the Latest Practicable Date

<i>Authorised share capital:</i>		<i>HK\$</i>
500,000,000,000	Shares of HK\$0.01 each as at the Latest Practicable Date	5,000,000,000
<u>500,000,000,000</u>		<u>5,000,000,000</u>
 <i>Issued and fully paid or credited as fully paid:</i>		
1,868,176,188	Shares of HK\$0.01 each as at the Latest Practicable Date	18,681,761.88
<u>1,868,176,188</u>		<u>18,681,761.88</u>

**(b) Upon completion of the First Loan Conversion, the Subscription, the issue of the Scheme Shares**

*Authorised share capital:* *HK\$*

<u>500,000,000,000</u>	Shares of HK\$0.01 each	<u>5,000,000,000</u>
------------------------	-------------------------	----------------------

*Issued and fully paid or credited as fully paid:*

1,868,176,188	Shares of HK\$0.01 each held by existing Shareholders	18,681,761.88
14,945,409,504	First Loan Conversion Shares and Subscription Shares of HK\$0.01 each	149,454,095.04
<u>1,868,176,188</u>	Scheme Shares of HK\$0.01 each	<u>18,681,761.88</u>
<u>18,681,761,880</u>		<u>186,817,618.80</u>

**(c) Upon completion of the First Loan Conversion, the Subscription, the issue of the Scheme Shares, the Placing Down and the Second Loan Conversion**

*Authorised share capital:* *HK\$*

<u>500,000,000,000</u>	Shares of HK\$0.01 each	<u>5,000,000,000</u>
------------------------	-------------------------	----------------------

*Issued and fully paid or credited as fully paid:*

1,868,176,188	Shares of HK\$0.01 each held by existing Shareholders	18,681,761.88
13,391,629,875	First Loan Conversion Shares and Subscription Shares of HK\$0.01 each in aggregate (held by the Investor and the parties acting in concert with it upon completion of the Placing Down)	133,916,298.75
1,553,779,629	First Loan Conversion Shares and Subscription Shares of HK\$0.01 each in aggregate (held by the placees upon completion of the Placing Down)	15,537,796.29
1,868,176,188	Scheme Shares of HK\$0.01 each	18,681,761.88
2,478,766,139	Second Loan Conversion Shares of HK\$0.01 each	24,787,661.39
<u>21,160,528,019</u>		<u>211,605,280.19</u>

All of the First Loan Conversion Shares, the Subscription Shares, the Scheme Shares and the Second Loan Conversion Shares (if any) to be issued will rank *pari passu* in all aspects, without any preference among themselves and with all other shares of the Company in issue on the date of their issuance including with respect to all rights as to dividend, voting and interest in capital.

No part of the share capital or debt securities of the Company is listed or dealt in, and no listing or permission to deal in the Shares or loan capital of the Company is being or is proposed to be sought, on any other stock exchange other than the Stock Exchange.

Since 31 March 2020, being the date to which the latest published audited financial statements of the Company were made up, and up to the Latest Practicable Date, no Shares have been allotted and issued by the Company and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of the Group, except for the First Loan Conversion Shares, the Subscription Shares, the Scheme Shares and the Second Loan Conversion Shares.

All share options granted under the Share Option Scheme has lapsed on 15 January 2021. As at the Latest Practicable Date, the Company did not have any outstanding options, convertible securities, warrants or derivatives or other securities which were convertible into Shares.

### 3. DISCLOSURE OF INTERESTS

#### (a) Interests of Directors

As at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code; or (iv) which were required to be disclosed under the Takeovers Code.

As at the Latest Practicable Date, none of the Directors or proposed Directors was a director or employee of a company which had any interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of part XV of the SFO.



**(b) Interests of substantial Shareholders**

As at the Latest Practicable Date, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be recorded in the register maintained by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares and underlying shares held <sup>(Note 1)</sup>	Approximate percentage of the issued share capital of the Company
Dr. Cheng Chi Kong <sup>(Note 2)</sup>	Interest of controlled corporation	14,945,409,504 (L)	80.00% (L)
Divine Artemis Limited <sup>(Note 2)</sup>	Interest of controlled corporation	14,945,409,504 (L)	80.00% (L)
Radiant Alliance Limited <sup>(Note 2)</sup>	Beneficial owner	14,945,409,504 (L)	80.00% (L)
InterGlobal Trust Limited <sup>(Note 3)</sup>	Trustee	300,000,000 (L)	16.06% (L)
Mr. Zhang Yongdong <sup>(Note 4)</sup>	Interest of controlled corporation	100,076,600 (L) 159,574,600 (S)	5.35% (L) 8.54% (S)
Galaxy Strategic Investment Co. Ltd. <sup>(Note 4)</sup>	Beneficial owner	100,076,600 (L) 159,574,600 (S)	5.35% (L) 8.54% (S)

*Notes:*

- (1) The letter “L” denotes a long position in the Shares and/or underlying Shares and the letter “S” denotes a short position in the Shares and/or underlying Shares.
- (2) Radiant Alliance Limited is wholly-owned by Divine Artemis Limited which is in turn wholly-owned by Dr. Cheng Chi Kong. Therefore, through Radiant Alliance Limited’s security interest in the Shares by virtue of the rights or obligations referred to and embedded in the Restructuring Deed, each of Divine Artemis Limited and Dr. Cheng Chi Kong was deemed to be interested in these Shares by virtue of the rights or obligations referred to and embedded in the Restructuring Deed.

- (3) InterGlobal Trust Limited is the sole trustee for Win Faith Trust whose sole beneficiary is Mr. Liang Yahong.
- (4) These Shares were held by Galaxy Strategic Investment Co. Ltd., a company wholly-owned by Mr Zhang Yongdong. Zhang Yongdong was therefore deemed to have an interest in the shares in which Galaxy Strategic Investment Co. Ltd. was interested.

Save as disclosed above, as at the Latest Practicable Date, the Provisional Liquidators were not aware of any other person who had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be recorded in the register maintained by the Company pursuant to section 336 of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

#### **4. MARKET PRICE**

Trading in the Shares has been suspended since 1:12 p.m. on 28 February 2020. Accordingly, information about the closing prices of the Shares on the Stock Exchange on the Latest Practicable Date, the last business day preceding the date of the announcement of the Company dated 17 November 2020, being 16 November 2020 and at the end of each of the calendar months during the Relevant Period, is not available. The last closing price on the Last Trading Day before suspension of trading was HK\$0.0900 per Share.

#### **5. ADDITIONAL DISCLOSURE OF INTERESTS**

As at the Latest Practicable Date,

- (a) none of the Directors received or will receive any benefit as compensation for loss of office or otherwise in connection with the proposed Restructuring;
- (b) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Investor or any party acting in concert with it and any Director, recent directors of the Company, Shareholders or recent shareholders of the Company having any connection with or dependence upon the proposed Restructuring;
- (c) save as the Special Deals disclosed in this circular, there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (a) any Shareholder; and (b) either (i) the Investor and any parties acting in concert with it; or (ii) the Company, its subsidiaries or associated companies;

- (d) save for the entering into of the Restructuring Deed, none of the Investor or the parties acting in concert with it had any agreements or arrangements to which the Investor or any party acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Restructuring Deed including the First Loan Conversion and the Subscription, the Whitewash Waiver or the Special Deals;
- (e) save for the entering into of the Restructuring Deed, none of the Investor or the parties acting in concert with it had received any irrevocable commitment to vote for or against each of the transactions contemplated under the Restructuring Deed including the First Loan Conversion and the Subscription, the Whitewash Waiver or the Special Deals;
- (f) none of the Directors had entered into any agreement or arrangement with any other persons which is conditional on or dependent upon the outcome of the proposed Restructuring or otherwise connected with the proposed Restructuring;
- (g) no material contract was entered into by the Investor in which any Director has a material personal interest;
- (h) save for the Placing Down, there was no agreement, arrangement or understanding which would result in the Shares, convertible securities, warrants, options or derivatives in the Company to be acquired by the Investor or any parties acting in concert with it in pursuance of the proposed Restructuring being transferred, charged, pledged or otherwise disposed of to any other persons following the Resumption;
- (i) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with the Company, or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” in the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” in the Takeovers Code, nor owned or controlled any securities, shares, options warrants, derivatives or convertible securities of the Company or the Investor, which might be material to the transactions contemplated under the Restructuring Deed including the First Loan Conversion and the Subscription, the Whitewash Waiver and the Special Deals with any other persons;
- (j) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (by which an arrangement includes any arrangement involving rights over shares, any indemnity arrangement, or any agreement or understanding, formal or informal, of whatever nature, relating to the Shares or other securities of the Company which may be an inducement to deal or refrain from dealing) with the Investor or parties acting in concert with it;

- (k) there were no shareholdings in the Company which were managed on a discretionary basis by fund managers connected with the Company.

## 6. SHAREHOLDINGS AND DEALINGS

As at the Latest Practicable Date, the Provisional Liquidators, the executive Directors and the non-executive Directors confirm that:

- (a) the Company was not interested in and had not dealt for value in any shares, convertible securities, warrants, options, derivatives or similar rights which were convertible or exchangeable into shares of the Investor during the Relevant Period;
- (b) none of the Directors was interested in and had dealt for value in any shares, convertible securities, warrants, options, derivatives or similar rights which were convertible or exchangeable into shares of the Investor during the Relevant Period;
- (c) none of the Directors was interested in and had dealt for value in any Shares, convertible securities, warrants, options, derivatives or similar rights which were convertible or exchangeable into Shares during the Relevant Period;
- (d) none of (i) the subsidiaries of the Company, (ii) the pension fund of the Company or of any of its subsidiaries, (iii) the financial adviser, Deloitte & Touche Corporate Finance Limited, (iv) the Independent Financial Adviser, Veda Capital, nor (v) any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code, had any interest or dealt for value in Shares, convertible securities, warrants, options, or derivatives or similar rights which are convertible or exchangeable into Shares during the Relevant Period;
- (e) none of the Company or any Directors had borrowed or lent any Shares, convertible securities, warrants, options, derivatives or similar rights which were convertible or exchangeable into Shares during the Relevant Period;

- (f) save for entering into the Restructuring Deed, none of the Investor or parties acting in concert with it had dealt in the Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company during the Relevant Period;
- (g) none of the Investor or parties acting in concert with it holds, controls or has direction over any Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;
- (h) none of the directors of the Investor holds, controls or has direction over any shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period; and
- (i) none of the Investor or parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period.

#### **7. DIRECTORS' INTERESTS, CONTRACTS OF SIGNIFICANCE AND ASSETS**

As at the Latest Practicable Date, none of the Directors or proposed Directors had any direct or indirect interest in any assets which have been, since 31 March 2020 (being the date to which the latest published audited financial statements of the Company were made up) acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

As at the Latest Practicable Date, the Directors were not materially interested, directly or indirectly, in any contract or arrangement subsisting as at the date of this circular and which was significant in relation to the business of the Group.

## 8. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors was a party to any service contract with the Company or any of its subsidiaries or associated companies, which:

- (a) are continuous contracts with a notice period of 12 months or more;
- (b) are fixed term contracts with more than 12 months to run irrespective of the notice period;
- (c) (including both continuous and fixed term contracts) have been entered into or amended within the Relevant Period; or
- (d) are not determinable within one year without payment of compensation (other than statutory compensation).

## 9. POTENTIAL CLAIMS AND LITIGATIONS

### (a) Winding up Petition against the Company

Following the winding up petition (the “**Petition**”) filed against the Company by the Petitioner dated 10 May 2019, the Court further adjourned the hearing of the Petition to 14 December 2020 at the adjourned hearing on 5 October 2020. In view of the latest development of the restructuring of the Company, on 26 November 2020, a joint application was made by the Provisional Liquidators and the Petitioner to request the Court to vacate the next adjourned hearing of the Petition to be held on 14 December 2020 and to adjourn it to 19 April 2021. On 1 April 2021, the Provisional Liquidators and the Petitioner jointly applied to the 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 (the “**Application**”). As at the Latest Practicable Date, the Court has approved the Application and the next adjourned hearing of the Petition will be held on a date to be fixed no earlier than August 2021.

### (b) Litigation against the Company

The Company was named the 11th Respondent in the proceedings HCMP 2653 of 2016 commenced by the SFC on 5 October 2016 under section 214 of the SFO, whereby the SFC sought (i) disqualification orders against ten (10) former directors of the Company under section 214(2)(d) of the SFO; and (ii) compensation orders against two of the respondents to pay to the Company the sum of HK\$76,812,543.58 or such other sum of damages to be assessed together with interest thereon pursuant to section 48 of the High Court Ordinance, under section 214(2)(e) of the SFO. The pre-trial review is scheduled to be heard on 12 December 2022 and the case is scheduled to be heard on 1 March 2023.

(c) **Protective writ action against the Company and FCL**

The Company and FCL, have been named as two of the defendants in two separate writ of summons in the High Court of Hong Kong (the “Writs”) by the plaintiffs, Allied Weli Development Ltd (In Liquidation), John Howard Batchelor and Fung Kenneth as Joint and Several Liquidators of Allied Weli Development Ltd (In Liquidation). As at the Latest Practicable Date, the Writs have not been served to the Company or FCL. As a result, the executive Directors and the non-executive Directors consider the likelihood of incurring loss arising from the Writs is remote.

As the Excluded Subsidiaries will be divested from the Group pursuant to the ListCo Schemes upon Completion, no information is included in this circular regarding outstanding litigations (if any) against any of the Excluded Subsidiaries.

Save as disclosed above, as at the Latest Practicable Date, the Company was not engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to the Provisional Liquidators, the executive Directors and non-executive Directors, to be pending or threatened by or against the Company.

**10. MAJOR CUSTOMERS AND SUPPLIERS**

(a) **Financial year ended 31 March 2018**

During the year ended 31 March 2018, the aggregate turnover attributable to the Group’s five largest customers represented approximately 37.1% of the Group’s total revenue (excluding the Group’s dividend income and gains from the sale of investments at fair value through profit or loss, net) and the revenue attributable to the Group’s largest customer was approximately 15.8% (excluding the Group’s dividend income and gains from the sale of investments at fair value through profit or loss, net).

The aggregate purchases during the year attributable to the Group’s five largest suppliers represented approximately 63.4% of the Group’s total purchases and the purchases attributable to the Group’s largest supplier were approximately 28.3% of the Group’s total purchases.

No Directors of the Company, their close associates or any shareholder of the Company (which to the Directors’ knowledge own more than 5% of the Company’s share capital) had any shareholding in the suppliers or the customers referred to above as at 31 March 2018.

**(b) Financial year ended 31 March 2019**

During the year ended 31 March 2019, the aggregate turnover attributable to the Group's five largest customers represented approximately 34.2% of the Group's total revenue (excluding the Group's dividend income and net losses from the sale of investments at fair value through profit or loss) and the revenue attributable to the Group's largest customer was approximately 13.5% (excluding the Group's dividend income and net losses from the sale of investments at fair value through profit or loss, net).

The aggregate purchases during the year attributable to the Group's five largest suppliers represented approximately 72.2% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 34.0% of the Group's total purchases.

No Directors, their close associates or any Shareholder (which to the Directors' knowledge owned more than 5% of the Company's share capital) had any shareholding in the suppliers or the customers referred to above as at 31 March 2019.

**(c) Financial year ended 31 March 2020**

During the year ended 31 March 2020, the aggregate revenue attributable to the Group's five largest customers represents approximately 48% of the Group's total revenue (excluding the Group's dividend income and net losses from the sale of investments at fair value through profit or loss) and the revenue attributable to the Group's largest customer was approximately 18% (excluding the Group's dividend income and net losses from the sale of investments at fair value through profit or loss).

The aggregate purchases during the year attributable to the Group's five largest suppliers represent approximately 55% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 33% of the Group's total purchases.

No Directors, their close associates or any Shareholder (which to the Directors' knowledge own more than 5% of the Company's share capital) has any shareholding in the suppliers or the customers referred to above as at 31 March 2020.



**11. INTERRUPTION IN THE BUSINESS OF THE GROUP IN THE PAST 12 MONTHS**

The HKEX and the SFC have respectively imposed various restrictions on the business operations of the major operating subsidiaries of the Group, namely FSL and FCL, which was mainly attributable to a winding-up petition filed against the Company by the Petitioner. For details, please refer to the paragraph headed “Restrictions Imposed on FSL and FCL by the HKEX and the SFC” in the section headed “Letter from the Provisional Liquidators” in this circular.

Save as disclosed above, as at the Latest Practicable Date, there were no other interruptions of the Group’s business and operations which might have or have had a significant effect on the financial position of the Group in the past 12 months.

**12. MATERIAL CONTRACTS**

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) within two years immediately preceding the issue of the Rule 3.5 Announcement and up to the Latest Practicable Date and are or may be material:

- (a) the Restructuring Deed dated 10 September 2020 entered into among the Investor, the Company and the Provisional Liquidators in respect of the Restructuring of the Company;
- (b) the First Loan Agreement dated 10 September 2020 entered into among the Investor, the Company and the Provisional Liquidators in respect of the provision of the First Loan in the amount of (i) HK\$161,174,982, being an amount equivalent to the LC Agreed Consideration; and (ii) the Top-up Loan Amount (if any) to the Company by the Investor;
- (c) the Second Loan Agreement dated 10 September 2020 entered into among the Investor, the Company and the Provisional Liquidators in respect of the provision of the Second Loan of up to HK\$40 million in aggregate to the Company by the Investor;
- (d) a supplemental deed dated 17 November 2020 entered into among the Investor, the Company and the Provisional Liquidators in respect of the Restructuring Deed, the First Loan Agreement and the Second Loan Agreement, pursuant to which the parties agreed to amend the terms of the Restructuring Deed, the First Loan Agreement and the Second Loan Agreement;
- (e) a second supplemental deed dated 18 December 2020 entered into among the Investor, the Company and the Provisional Liquidators in respect of the Restructuring Deed and the First Loan Agreement, pursuant to which the parties agreed to further amend the terms of the Restructuring Deed and the First Loan Agreement;

- (f) the Third Supplemental Deed dated 21 May 2021 entered into among the Investor, the Company and the Provisional Liquidators in respect of the Restructuring Deed and the First Loan Agreement, pursuant to which the parties agreed to further amend the terms of the Restructuring Deed and the First Loan Agreement;
- (g) the Acquisition SPA dated 24 September 2020 entered into among DUL, HFSL, FCFL (BVI) and FU Securities as vendors, the Investor, the Company and the Provisional Liquidators in respect of the, pursuant to which the Company shall procure the transfer of all shareholding interests in the Retained Subsidiaries by their respective immediate holding companies to the Investor or its nominee at the consideration of HK\$1.00 in the event that the Resumption is not approved by the Stock Exchange by the Long Stop Date;
- (h) a supplemental agreement dated 17 November 2020 entered into among DUL, HFSL, FCFL (BVI) and FU Securities as vendors, the Investor, the Company and the Provisional Liquidators in respect of the Acquisition SPA, pursuant to which the parties agreed to amend the terms of the Acquisition SPA;
- (i) the Second Supplemental Agreement dated 21 May 2021 entered into among DUL, HFSL, FCFL (BVI) and FU Securities as vendors, the Investor, the Company and the Provisional Liquidators in respect of the Acquisition SPA, pursuant to which the parties agreed to further amend the terms of the Acquisition SPA;
- (j) the SSCL Disposal Term Sheet dated 10 November 2020 entered into among FSL, the Provisional Liquidators, the SSCL Purchaser and the SSCL Secured Creditor in respect of the SSCL Disposal, pursuant to which, among others, FSL conditionally agreed to sell, and the SSCL Purchaser conditionally agreed to acquire, the SSCL Interest at the consideration of RMB600,000,000;
- (k) a supplemental term sheet to the SSCL Disposal Term Sheet dated 9 February 2021 entered into among FSL, the Provisional Liquidators, the SSCL Purchaser and the SSCL Secured Creditor in respect of the SSCL Disposal, pursuant to which the parties agreed to amend the terms of the SSCL Disposal Term Sheet; and
- (l) the SSCL Share Transfer Agreement dated 9 February 2021 entered into among FSL, the Provisional Liquidators and the SSCL Purchaser in respect of the SSCL Disposal, pursuant to which FSL conditionally agreed to sell, and the SSCL Purchaser conditionally agreed to acquire, the SSCL Interest at the consideration of RMB600,000,000.

**13. EXPENSES**

The expenses in connection with (a) the allotment and issue; and (b) the application for listing of (i) the First Loan Conversion Shares; (ii) the Subscription Shares; (iii) the Scheme Shares; and (iv) the Second Loan Conversion Shares (if any), including financial advisory fees, printing, registration, translation, legal and accountancy charges and other expenses relating to the transactions under the proposed Restructuring are estimated to be approximately HK\$40 million, which are payable by the Company from the Second Loan.

**14. QUALIFICATIONS AND CONSENTS OF EXPERTS**

The following is the qualification of the experts who have given opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Veda Capital	a corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity, being the Independent Financial Adviser to advise the Independent Shareholders in respect of the Restructuring Deed and the transactions contemplated thereunder, the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals
Crowe (HK) CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, each of the experts named above:

- (a) have given and have not withdrawn its written consent to the issue of this circular with the inclusion of its advice, letter, report and/or summary of its opinions and references to its name and logo in the form and context in which they are included;
- (b) was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had since 31 March 2020 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

## 15. NAME AND ADDRESSES OF DIRECTORS AND SENIOR MANAGEMENT

## (a) Existing Directors

Name	Address
<i>Executive Directors</i>	
Mr. Choi Wai Hong, Clifford	G/F-2/F, No. 9 Ko Tong Village Sai Kung New Territories Hong Kong
Mr. Yau Pak Yue	Flat B, 39/F, The Forest Hills 99 Po Kong Village Road Kowloon Hong Kong
<i>Non-executive Directors</i>	
Ms. Ang Mei Lee Mary	Room 2A, Greenwood Court 19 Discovery Bay Road Discovery Bay New Territories Hong Kong
Mr. Chung Wai Man	1/F., No. 60 Kam Shek New Village Tai Po New Territories Hong Kong
<i>Independent non-executive Directors</i>	
Mr. An Dong	19A, Jingpeng Building No. 2 Xinzhou North Road Futian District Shenzhen People's Republic of China
Mr. Fung Tze Wa	Flat A1, 1st Floor Block A, Yau Yat Lau Nos. 26 Tat Chee Avenue Kowloon Hong Kong

<b>Name</b>	<b>Address</b>
Mr. Wu Keli	Room 403, Block A, Grace Court Piku Hutong, Xicheng Beijing People's Republic of China

**(b) Proposed Directors**

<b>Name</b>	<b>Address</b>
<i>Executive Directors</i>	
Mr. Xu Hao	40/F, New World Tower 1 18 Queen's Road Central Hong Kong
Mr. Han Kam Leung (Michael)	13/F, Fortis Tower 77-79 Gloucester Road Wanchai Hong Kong
<i>Independent non-executive Directors</i>	
Mr. Fung Sing Hong Stephen	Unit 5, 15/F, Block K Hung Hom Bay Centre 110 Baker Street Hong Kong
Ms. Ling Kit Sum Imma	Flat H, 11/F, Block 7 Willow Mansions Site 3 Whampoa Garden Hung Hom Kowloon Hong Kong
Mr. Xu Haohao	Room 1802, 18/F, Allied Kajima Building 138 Gloucester Road Wanchai Hong Kong

**16. CORPORATE INFORMATION**

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head Office and Principal Place of Business in Hong Kong	13/F, Fortis Tower 77-79 Gloucester Road Wanchai Hong Kong
Auditors	Crowe (HK) CPA Limited 9/F, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Hong Kong branch share registrar and transfer office	Tricor Secretaries Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company secretary	As at the Latest Practicable Date, the Company did not have a company secretary.
Proposed company secretary	Ms. Li Chuchu (Tracy)
Authorised representative	Mr. Choi Wai Hong, Clifford Mr. Yau Pak Yue

## 17. PRINCIPAL MEMBERS OF THE INVESTOR'S CONCERT GROUP

Name	Address	Correspondence address in Hong Kong	Director(s)	Shareholder(s)	Shareholding
Radiant Alliance Limited	Vistra Corporate Services Centre Wickhams Cay II Road Town, Tortola VG1110 British Virgin Islands	40/F, New World Tower 1 18 Queen's Road Central Hong Kong	Mr. Xu Hao	Divine Artemis Limited	100%
Divine Artemis Limited	Vistra Corporate Services Centre Wickhams Cay II Road Town, Tortola VG1110 British Virgin Islands	40/F, New World Tower 1 18 Queen's Road Central Hong Kong	Dr. Cheng Chi-Kong	Dr. Cheng Chi-Kong	100%
Dr. Cheng Chi-Kong	Vistra Corporate Services Centre Wickhams Cay II Road Town, Tortola VG1110 British Virgin Islands	40/F, New World Tower 1 18 Queen's Road Central Hong Kong	N/A	N/A	N/A
Mr. Xu Hao	Vistra Corporate Services Centre Wickhams Cay II Road Town, Tortola VG1110 British Virgin Islands	40/F, New World Tower 1 18 Queen's Road Central Hong Kong	N/A	N/A	N/A

## 18. SHARE OPTION SCHEME

The Share Option Scheme was approved and adopted by the shareholders at the annual general meeting held on 31 August 2012 with a term of ten years commencing from 31 August 2012.

The primary purpose of the Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Further details of the Share Option Scheme were disclosed in the Company's circular dated 25 July 2012.

The categories of the participants under the Share Option Scheme are any directors (including executive directors, non-executive directors and independent non-executive directors) of the Company and its subsidiaries and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers to the Group whom the Board considers, in its sole discretion, have contributed or will contribute to the Group.

The Board may, at its absolute discretion, make an offer to any participant to take up share options. An offer is deemed to have been accepted and a share option is deemed to have been granted and accepted and shall take effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee and the remittance of HK\$1 by way of consideration for the grant thereof is received by the Company. Share options granted may be exercised during the period as notified by the Board to each grantee at the time of making the offer and shall be at any time from the date of grant to the tenth anniversary thereof.

The total number of ordinary shares which may be issued upon exercise of all share options granted under the Share Option Scheme and any other share option scheme(s) of the Company (excluding share options lapsed) must not exceed 10% of the total number of the Company's ordinary shares in issue on respective adoption date (the "**Scheme Mandate Limit**"). Moreover, the maximum number of ordinary shares in respect of which share options may be granted to each of the participants (including both exercised and outstanding options) under the Share Option Scheme in any 12-month period shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) exceed 1% of the Company's ordinary shares in issue. The Company may renew the Scheme Mandate Limit at any time subject to prior shareholders' approval in general meeting and the Stock Exchange granting listing of and permission to deal in the Company's shares to be issued upon exercise of options pursuant to the refreshment of the Scheme Mandate Limit.

The subscription price for shares on the exercise of share options under the Share Option Scheme shall be determined by the Board in its absolute discretion but in any event shall not be less than the greatest of: (i) the closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange on the date on which a share option is granted; (ii) the average closing price of the Company's share as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date on which a share option is granted; and (iii) the nominal value of the Company's shares.

The Scheme Mandate Limit was refreshed to 1,868,176,188 shares with par value of HK\$0.01 each upon the approval of shareholders at the Company's annual general meeting on 9 September 2019. All share options granted under the Share Option Scheme has lapsed on 15 January 2021.



**19. MISCELLANEOUS**

- (a) The financial adviser to the Company is Deloitte & Touche Corporate Finance Limited whose address is 39/F, One Pacific Place, 88 Queensway, Hong Kong.
- (b) The legal advisers to the Provisional Liquidators is P. C. Woo & Co., whose address is 12/F, Prince's Building, 10 Chater Road, Central, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text in the event of any inconsistency.

**20. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours (from 9 a.m. to 5 p.m.) on any business day (Saturdays and public holidays excluded) unless (i) a tropical cyclone warning signal number 8 or above is hoisted; or (ii) a black rainstorm warning signal is issued, at the Provisional Liquidators' offices in Hong Kong at 35/F, One Pacific Place, 88 Queensway, Hong Kong from the date of this circular up to and including the date of the EGM in accordance with Note 1 to Rule 8 of the Takeovers Code and will be displayed on the websites of the SFC ([www.sfc.hk](http://www.sfc.hk)) and on the Company's website (<http://www.freeman279.com>) during the aforesaid period:

- (a) the memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of the Investor;
- (c) the annual reports of the Company for the three financial years ended 31 March 2018, 2019 and 2020;
- (d) the interim report of the Company for the six months ended 30 September 2019;
- (e) the interim report of the Company for the six months ended 30 September 2020;
- (f) the report from Crowe (HK) CPA Limited on unaudited pro forma financial information of the Group dated 26 May 2021, the text of which is set out in Appendix II to this circular;
- (g) the letter from the Provisional Liquidators dated 26 May 2021, the text of which is set out in the section headed "Letter from the Provisional Liquidators" in this circular;
- (h) the letter of advice from the Independent Financial Adviser to the Independent Shareholders dated 26 May 2021, the text of which is set out in the section headed the "Letter from Independent Financial Adviser" in this circular;

- (i) a copy of each of the material contracts referred to in the paragraph headed “12. Material Contracts” in this appendix;
- (j) the written consents referred to in the paragraph headed “14. Qualifications and Consents of Experts” in this appendix; and
- (k) this circular.

---

## NOTICE OF EGM

---



### **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)**

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Freeman FinTech Corporation Limited (Provisional Liquidators Appointed) (the “**Company**”) will be held at 4:00 p.m. on Thursday, 17 June 2021 at Lecture Hall, 4/F, Duke of Windsor Social Service Building, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing (with or without amendments), the following resolutions of the Company (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 26 May 2021 of which this notice forms part (the “**Circular**”)):

#### **SPECIAL RESOLUTION**

#### **1. THE WHITEWASH WAIVER**

“**THAT:**

- (a) subject to the Executive granting the Investor the Whitewash Waiver and the satisfaction of any condition(s) attached to the Whitewash Waiver imposed by the Executive, the waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, waiving any obligation of the Investor to make a mandatory general offer for all the Shares not already owned or agreed to be issued and allotted to the Investor or parties acting in concert with it as a result of the First Loan Conversion and the Subscription, be and is hereby approved; and
- (b) any one or more of the executive Directors, the non-executive Directors and the Provisional Liquidators be and are hereby authorised to do all such acts and things, sign and execute all such documents, agreements or deeds on behalf of the Company and to take all such steps as he/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to any matter relating to the Whitewash Waiver.”

---

## NOTICE OF EGM

---

### ORDINARY RESOLUTIONS

#### 2. THE RESTRUCTURING DEED

“THAT:

- (a) the Restructuring Deed (a copy of which is marked “A” and tabled before the EGM and initialled by the chairman of the EGM for identification purposes) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, ratified and confirmed;
- (b) any one or more of the executive Directors, the non-executive Directors and the Provisional Liquidators be and are hereby authorised to do all such acts and things, sign and execute all such documents, agreements or deeds on behalf of the Company and take all such steps as he/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to any matter relating to the Restructuring Deed and the transactions contemplated thereunder.”

#### 3. ISSUE OF THE FIRST LOAN CONVERSION SHARES

“THAT subject to resolution numbered 1 as set out in this notice having been passed and the approval for the Resumption (whether conditionally or unconditionally) by the Stock Exchange having been obtained:

- (a) subject to the fulfilment of the conditions relating to the First Loan Conversion in the First Loan Agreement and the Restructuring Deed and conditional upon the Listing Committee granting the approval for the listing of, and permission to deal in the First Loan Conversion Shares, any one or more of the executive Directors, the non-executive Directors and the Provisional Liquidators be and are hereby granted a specific mandate (the “**First Loan Conversion Shares Specific Mandate**”) to allot, issue, credited as fully paid, the First Loan Conversion Shares to the Investor pursuant to the First Loan Agreement, provided that the First Loan Conversion Shares Specific Mandate shall be in addition to and shall not prejudice nor revoke such other general or specific mandate(s) which may from time to time be granted to any one or more of the executive Directors, the non-executive Directors and the Provisional Liquidators prior to or after the passing of this resolution; and

---

## NOTICE OF EGM

---

- (b) any one or more of the executive Directors, the non-executive Directors and the Provisional Liquidators be and are hereby authorised to do all such acts and things, sign and execute all such documents, agreements or deeds on behalf of the Company (including the affixation of the common seal of the Company where required) and take all such steps as he/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to any matter relating to the allotment and issue of the First Loan Conversion Shares and the transactions contemplated thereunder.”

#### 4. ISSUE OF THE SUBSCRIPTION SHARES

“**THAT** subject to resolution numbered 1 as set out in this notice having been passed and the approval for the Resumption (whether conditionally or unconditionally) by the Stock Exchange having been obtained:

- (a) subject to the fulfilment of the conditions in the Restructuring Deed and conditional upon the Listing Committee granting the approval for the listing of, and permission to deal in the Subscription Shares, any one or more of the executive Directors, the non-executive Directors and the Provisional Liquidators be and are hereby granted a specific mandate (the “**Subscription Shares Specific Mandate**”) to allot, issue, credited as fully paid, the Subscription Shares to the Investor pursuant to the Restructuring Deed, provided that the Subscription Shares Specific Mandate shall be in addition to and shall not prejudice nor revoke such other general or specific mandate(s) which may from time to time be granted to any one or more of the executive Directors, the non-executive Directors and the Provisional Liquidators prior to or after the passing of this resolution; and
- (b) any one or more of the executive Directors, the non-executive Directors and the Provisional Liquidators be and are hereby authorised to do all such acts and things, sign and execute all such documents, agreements or deeds on behalf of the Company (including the affixation of the common seal of the Company where required) and take all such steps as he/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to any matter relating to the allotment and issue of the Subscription Shares and the transactions contemplated thereunder.”

---

## NOTICE OF EGM

---

### 5. ISSUE OF THE SCHEME SHARES

“**THAT** subject to resolution numbered 1 as set out in this notice having been passed and the approval for the Resumption (whether conditionally or unconditionally) by the Stock Exchange having been obtained:

- (a) subject to the fulfilment of the conditions of the Restructuring Deed and conditional upon the Listing Committee granting the approval for the listing of, and permission to deal in the Scheme Shares, any one or more of the executive Directors, the non-executive Directors and the Provisional Liquidators be and are hereby granted a specific mandate (the “**Scheme Shares Specific Mandate**”) to allot, issue, credited as fully paid, the Scheme Shares to the Scheme Administrators or the ListCo Schemes SchemeCo pursuant to the Restructuring Deed, provided that the Scheme Shares Specific Mandate shall be in addition to and shall not prejudice nor revoke such other general or specific mandate(s) which may from time to time be granted to any one or more of the executive Directors, the non-executive Directors and the Provisional Liquidators prior to or after the passing of this resolution; and
- (b) any one or more of the executive Directors, the non-executive Directors and the Provisional Liquidators be and is/are hereby authorised to do all such acts and things, sign and execute all such documents, agreements or deeds on behalf of the Company (including the affixation of the common seal of the Company where required) and take all such steps as he/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to any matter relating to the allotment and issue of the Scheme Shares and the transactions contemplated thereunder.”

---

## NOTICE OF EGM

---

### 6. ISSUE OF THE SECOND LOAN CONVERSION SHARES

“**THAT** subject to resolution numbered 1 as set out in this notice having been passed and the approval for the Resumption (whether conditionally or unconditionally) by the Stock Exchange having been obtained:

- (a) subject to the fulfilment of the conditions in the Second Loan Agreement and the Restructuring Deed and conditional upon the Listing Committee granting the approval for the listing of, and permission to deal in the Second Loan Conversion Shares, any one or more of the executive Directors, the non-executive Directors and the Provisional Liquidators be and are hereby granted a specific mandate (the “**Second Loan Conversion Shares Specific Mandate**”) to allot, issue, credited as fully paid, the Second Loan Conversion Shares to the Investor pursuant to the Second Loan Agreement, provided that the Second Loan Conversion Shares Specific Mandate shall be in addition to and shall not prejudice nor revoke such other general or specific mandate(s) which may from time to time be granted to any one or more of the executive Directors, the non-executive Directors and the Provisional Liquidators prior to or after the passing of this resolution; and
- (b) any one or more of the executive Directors, the non-executive Directors and the Provisional Liquidators be and are hereby authorised to do all such acts and things, sign and execute all such documents, agreements or deeds on behalf of the Company (including the affixation of the common seal of the Company where required) and take all such steps as he/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to any matter relating to the allotment and issue of the Second Loan Conversion Shares and the transactions contemplated thereunder.”

---

## NOTICE OF EGM

---

### 7. SPECIAL DEAL I

“**THAT**, subject to the consent of the Executive pursuant to Rule 25 of the Takeovers Code with respect to Special Deal I and the satisfaction of any condition(s) that may be imposed thereon by the Executive:

- (a) Special Deal I and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and
- (b) any one or more of the executive Directors, the non-executive Directors and the Provisional Liquidators be and are hereby authorised to do all such acts and things, sign and execute all such documents, agreements or deeds on behalf of the Company (including the affixation of the common seal of the Company where required) and take all such steps as he/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to any matter relating to Special Deal I and the transactions contemplated thereunder.”

### 8. SPECIAL DEAL II

“**THAT**, subject to the consent of the Executive pursuant to Rule 25 of the Takeovers Code with respect to Special Deal II and the satisfaction of any condition(s) that may be imposed thereon by the Executive:

- (a) Special Deal II and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and
- (b) any one or more of the executive Directors, the non-executive Directors and the Provisional Liquidators be and are hereby authorised to do all such acts and things, sign and execute all such documents, agreements or deeds on behalf of the Company (including the affixation of the common seal of the Company where required) and take all such steps as he/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to any matter relating to Special Deal II and the transactions contemplated thereunder.”



---

## NOTICE OF EGM

---

### 9. SPECIAL DEAL III

“**THAT**, subject to the consent of the Executive pursuant to Rule 25 of the Takeovers Code with respect to Special Deal III and the satisfaction of any condition(s) that may be imposed thereon by the Executive:

- (a) Special Deal III and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and
- (b) any one or more of the executive Directors, the non-executive Directors and the Provisional Liquidators be and are hereby authorised to do all such acts and things, sign and execute all such documents, agreements or deeds on behalf of the Company (including the affixation of the common seal of the Company where required) and take all such steps as he/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to any matter relating to Special Deal III and the transactions contemplated thereunder.”

### 10. PROPOSED APPOINTMENT OF DIRECTORS

“**THAT** the appointment of the following candidates as Directors upon Completion be and is hereby approved:

- (a) Mr. Xu Hao be appointed as an executive Director;
- (b) Mr. Han Kam Leung (Michael) be appointed as an executive Director;
- (c) Mr. Fung Sing Hong Stephen be appointed as an independent non-executive Director;
- (d) Ms. Ling Kit Sum Imma be appointed as an independent non-executive Director; and
- (e) Mr. Xu Haohao be appointed as an independent non-executive Director.”

---

## NOTICE OF EGM

---

### 11. GENERAL AUTHORISATION

“**THAT** in connection with the actions contemplated by the foregoing resolutions, each of the executive Directors, the non-executive Director, the Provisional Liquidators, officers, and any attorney or authorised signatories be, and such other persons as are authorised by any of them be, and each hereby is, authorised, in the name and on behalf of the Company, to do such further acts and things as any executive Director, the non-executive Director, Provisional Liquidator or officer or such duly authorised other person shall deem necessary or appropriate in connection with, or to carry out the actions contemplated by, the foregoing resolutions, including to do and perform (or cause to be done and performed), in the name and on behalf of the Company, all such acts and to make, execute, deliver, issue or file (or cause to be made, executed, delivered or filed) with any person including any governmental authority or agency, all such agreements, documents, instruments, certificates, consents and waivers, and all amendments to any such agreements, documents, instruments or certificates, and to pay, or cause to be paid, all such payments, as any of them may deem necessary or advisable to carry out the intent of the foregoing resolutions, the authority for the taking of any such action and the execution and delivery of such of the foregoing to be conclusively evidenced thereby.”

### 12. RATIFICATION OF PRIOR ACTIONS

“**THAT** any and all actions of the Company, or of any one executive Director, the non-executive Director, Provisional Liquidator or officer or any attorney or authorised signatory, taken in connection with the actions contemplated by the foregoing resolutions prior to the passing thereof be and hereby are ratified, confirmed, approved and adopted in all respects as fully as if such action(s) had been presented to for approval, and approved by, the Company prior to such action being taken.”

For and on behalf of  
**Freeman FinTech Corporation Limited**  
**(Provisional Liquidators Appointed)**  
**Clifford Choi**  
*Executive Director*

Hong Kong, 26 May 2021

*Registered office:*  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Principal place of business*  
*in Hong Kong:*  
13/F, Fortis Tower  
77-79 Gloucester Road  
Wanchai  
Hong Kong

---

## NOTICE OF EGM

---

*Notes:*

1. A Shareholder who is entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A Shareholder who is the holder of two or more Shares of the Company may appoint more than one proxy. A proxy need not be a Shareholder.
2. To be valid, the form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be) at which the person named in such instrument proposes to vote, and in default thereof the form of proxy shall not be treated as valid.
3. For the purpose of ascertaining the Shareholders' right to attend and vote at the EGM, the register of members of the Company will be closed from 11 June 2021 to 17 June 2021, both days inclusive, during which no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant Share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 10 June 2021.
4. Where there are joint holders of any Share, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such Share as if he/she was solely entitled thereto, but if more than one of such joint holders be present at the EGM in person or by proxy, that one of the said joint holders so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
5. A form of proxy for use at the EGM is enclosed herewith.
6. As at the date of this notice, the Board comprises Mr. Yau Pak Yue and Mr. Choi Wai Hong Clifford as executive Directors, Ms. Ang Mei Lee Mary and Mr. Chung Wai Man as non-executive Directors, and Mr. An Dong, Mr. Fung Tze Wa and Mr. Wu Keli as independent non-executive Directors.
7. If a typhoon signal no. 8 or above is hoisted or a black rainstorm warning signal is in force in Hong Kong at or at any time after 8:00 a.m. on the date of the EGM, the EGM will be adjourned. An announcement will be posted on the websites of the Company and the Stock Exchange to notify the Shareholders of the date, time and place of the adjourned EGM. The EGM will be held as scheduled when an amber or a red rainstorm warning signal is in force. Shareholders should decide on their own whether they would attend the above EGM under bad weather conditions bearing in mind their own situations.