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FREEMAN FINTECH CORPORATION LIMITED

民眾金融科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 279)

PROPOSED AMENDMENTS OF THE TERMS AND CONDITIONS OF THE CONVERTIBLE BONDS

PROPOSED AMENDMENTS OF THE CONVERTIBLE BONDS

On 28 September 2018 (after trading hours), (i) the Company and the Subscriber entered into the Deed of Undertaking, pursuant to which certain terms of the Convertible Bonds shall be amended in accordance with the Supplemental Deed; and (ii) the Company entered into the Supplemental Deed pursuant to which the Company agreed to amend certain terms and conditions of the Convertible Bonds.

As at the date of this announcement, the Subscriber is the holder of 100% of the outstanding Convertible Bonds in the principal amount of HK\$429,197,000.

LISTING RULES IMPLICATIONS

Pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. The Company will apply to the Stock Exchange for approval for the Amendment of Conditions contemplated by the Supplemental Deed pursuant to Rule 28.05 of the Listing Rules.

GENERAL

The Supplemental Deed and the transactions contemplated thereunder, including the Amendment of Conditions and the grant of the Specific Mandate are subject to, inter alia, the approval of Shareholders at the EGM. Specific Mandate for the issue of new Shares will be sought in the EGM to cater for the allotment and issue of the Conversion Shares.

A circular containing, amongst other things, (i) further details of the Supplemental Deed and the transactions contemplated thereunder, including the Amendment of Conditions and the grant of the Specific Mandate; and (ii) a notice of the EGM is expected to be despatched to the Shareholders on or before 31 October 2018 in accordance with the Listing Rules.

INTRODUCTION

Reference is made to the Announcement.

On 24 August 2017, the Company entered into the Subscription Agreement with the Subscriber in relation to the issue of the Convertible Bonds in an aggregate principal amount of HK\$437,000,000. Pursuant to the original conditions, the Convertible Bonds bear interest at the rate of 4% per annum and the Convertible Bonds is convertible into the Conversion Shares at the initial conversion price of HK\$0.425 per Share (subject to adjustments as set out in the Convertible Bonds Instrument). Closing of the subscription for the Convertible Bonds took place on 12 September 2017 pursuant to the terms of the Subscription Agreement.

On 2 May 2018, the Subscriber has partly converted the Convertible Bonds in the principal amount of HK\$7,803,000 into 18,360,000 Shares. As at the date of this announcement, the Subscriber is the holder of 100% of the outstanding Convertible Bonds in the principal amount of HK\$429,197,000.

PROPOSED AMENDMENTS OF THE CONVERTIBLE BONDS

On 28 September 2018 (after trading hours), (i) the Company and the Subscriber entered into the Deed of Undertaking, pursuant to which certain terms of the Convertible Bonds shall be amended in accordance with the Supplemental Deed; and (ii) the Company entered into the Supplemental Deed pursuant to which the Company agreed to amend certain terms and conditions of the Convertible Bonds. Below is the comparison of differences between the original conditions and the Amendment of Conditions as contemplated under the Supplemental Deed:

**Amendment of Conditions
as contemplated under the
Supplemental Deed**

Original conditions

Conversion price:	HK\$0.425 per Conversion Share subject to any adjustment, from time to time, as set out in the terms and conditions of the Convertible Bonds Instrument	HK\$0.065 per Conversion Share subject to any adjustment, from time to time, as restated in the terms and conditions of the Convertible Bonds Instrument as amended, supplemented, and restated pursuant to the Supplemental Deed
Conversion restrictions:	The Convertible Bonds Holders shall have no right to exercise, and shall not exercise, any conversion rights if, as a result of such exercise, the Company will be in breach of the minimum public floating requirements under Rule 8.08 of the Listing Rules or other relevant requirements under the Listing Rules immediately after the relevant exercise of conversion rights and in such case, the Company shall disregard (and return to such Convertible Bonds Holder) any notice of exercise of conversion rights	The conversion right shall only be exercisable so long as: (i) the exercise of the conversion right will not result in the relevant Convertible Bonds Holder, its associates and parties acting in concert with it will, in aggregate, control or be interested in 30% or more of the voting rights of the Company unless (1) a whitewash waiver is obtained in accordance with the requirement of the Takeovers Code; or (2) a general offer is made in accordance with the requirement of the Takeovers Code; and (ii) not less than 25% of the then issued share capital of the Company as enlarged by the issue of the Conversion Shares are held by the public
Interest rate:	4% per annum payable semi-annually in arrears	4% per annum before the Effective Date (defined below) and 7% per annum on and after the Effective Date, payable semi-annually in arrears

Redemption when the mandate is fully utilised:

If the Company is unable, other than by reason of the default of the Convertible Bonds Holder under the Convertible Bonds Instrument, to issue the Conversion Shares which exceeds such number of unissued Shares for which the Board has been authorised under the General Mandate (as defined in the Announcement) and/or for which approval for listing (and permission to deal in) has been granted by the Listing Committee of the Stock Exchange, the Company shall be obliged to firstly, issue the maximum number of Conversion Shares that it is allowed to issue and allot under the General Mandate and, thereafter, redeem such remaining balance of the principal of the Convertible Bonds purported to be converted which may otherwise result in the allotment and issue of such excess number of Shares at the amount equal to 100% of the remaining balance of the principal amount of such Convertible Bonds and any accrued but unpaid interest on such remaining balance on the date of conversion notice, which should be payable to Convertible Bonds Holder within seven (7) Business Days falling after the date of conversion notice

If the Company is unable, other than by reason of the default of the Convertible Bonds Holder under the Convertible Bonds Instrument as amended, supplemented, and restated pursuant to the Supplemental Deed, to issue the Conversion Shares which exceeds such number of unissued Shares for which the Board has been authorised under the Specific Mandate and/or for which approval for listing (and permission to deal in) has been granted by the Listing Committee of the Stock Exchange, the Company shall be obliged to firstly, issue the maximum number of Conversion Shares that it is allowed to issue and allot under the Specific Mandate and, thereafter, redeem such remaining balance of the principal of the Convertible Bonds purported to be converted which may otherwise result in the allotment and issue of such excess number of Shares at the amount equal to 100% of the remaining balance of the principal amount of such Convertible Bonds and any accrued but unpaid interest on such remaining balance on the date of conversion notice, which should be payable to Convertible Bonds Holder within seven (7) Business Days falling after the date of conversion notice

Transferability of Convertible Bonds: The Convertible Bonds shall not be transferred to any third party without the prior written consent of the Company. The Conversion Shares are freely transferable to any third party without restrictions.

Save as disclosed above, the principal terms of the Convertible Bonds as disclosed in the Announcement remain unchanged and are still in full force and effect.

Pursuant to the Supplemental Deed, the Amendment of Conditions automatically and without further act will be effective on the first date on which all of the following events have occurred (the “**Effective Date**”):

- (i) the Stock Exchange has granted its approval for the Amendment of the Conditions pursuant to Rule 28.05 of the Listing Rules;
- (ii) the Listing Committee of the Stock Exchange has granted its approval regarding the listing of, and a permission to deal in, the additional Conversion Shares to be issued by the Company, if required;
- (iii) the Shareholders have granted their specific approval regarding the additional Conversion Shares to be issued by the Company and the Amendment of the Conditions; and
- (iv) the Convertible Bonds Holders have passed a written resolution to approve the Amendment of the Conditions.

Pursuant to the Deed of Undertaking, the Company will use its reasonable efforts to procure the fulfillment of the events set out in (i) and (ii) above on or before 29 March 2019.

Conversion price

The amended conversion price of HK\$0.065 per Conversion Share represents:

- (i) a discount of approximately 17.72% to the closing price of HK\$0.079 per Share as quoted on the Stock Exchange on 28 September 2018, being the date of the Supplemental Deed; and
- (ii) a discount of approximately 19.15% to the average closing price per Share of approximately HK\$0.080 per Share for the last five consecutive Trading Days immediately prior to the date of the Supplemental Deed.

The amended conversion price and the other amended terms of the Convertible Bonds were determined after arm’s length negotiations between the Company and the Subscriber, taking into account the current market conditions and recent changes of the price of the Shares. The net issue price is approximately HK\$0.064 per Conversion Share.

Conversion Shares

As at the date of this announcement, the outstanding principal amount of the Convertible Bonds is HK\$429,197,000. Assuming the exercise in full of the conversion rights attaching to the outstanding Convertible Bonds at the amended conversion price of HK\$0.065 per Conversion Share, a total of 6,603,030,769 Conversion Shares will be issued, representing approximately 42.11% of the existing issued share capital of the Company and approximately 29.63% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. The Conversion Shares will be issued under the Specific Mandate.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST TWELVE MONTHS

Except for the equity fund raising activities as mentioned below, there has not been any other equity fund raising exercise made by the Company in the twelve months immediately preceding the date of this announcement.

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds as announced	Actual use of proceeds
4 September 2018	Issue of secured convertible notes in the principal amount of HK\$185,847,419 under general mandate	HK\$184,847,419	Repayment of part of the principal amount of the promissory note due 2020 in the amount equals to US\$23,826,592	This transaction has not been completed as at the date of this announcement

EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) assuming full exercise of the conversion rights attached to the outstanding Convertible Bonds at the amended conversion price of HK\$0.065 per Share and further assuming that no other Shares will be issued is as follows:

Shareholders	As at the date of this announcement		Immediately after the full conversion of the Convertible Bonds	
	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding
Substantial Shareholder				
Mr. Zhang Yongdong (<i>Note 1</i>)	2,522,802,812	16.09%	2,522,802,812	11.32%
Director				
Ms. Chow Mun Yee	8,000	0.00%	8,000	0.00%
The Subscriber (<i>Note 2</i>)	18,360,000	0.12%	6,621,390,769	29.71%
Public Shareholders	<u>13,140,591,069</u>	<u>83.79%</u>	<u>13,140,591,069</u>	<u>58.97%</u>
Total	<u>15,681,761,881</u>	<u>100%</u>	<u>22,284,792,650</u>	<u>100%</u>

Notes:

- These Shares were held by Galaxy Strategic Investment Co. Ltd., a company wholly-owned by Mr. Zhang Yongdong, of which 1,595,746,000 Shares were in short position to Shanghai Guotai Junan Securities Assets Management Co., Ltd.* (上海國泰君安證券資產管理有限公司, “Shanghai Guotai”) and Guotai Junan Securities Co., Ltd.* (國泰君安證券股份有限公司, “Guotai”). Shanghai Guotai is a trustee of a trust in which SHANGHAI HARFOR LEAD ASSET MANAGEMENT CO., LTD. (上海華富利得資產管理有限公司) is a beneficiary of 1,595,746,000 Shares. Guotai is the ultimate holding company of Shanghai Guotai and is deemed to be interested in 1,595,746,000 Shares through Shanghai Guotai described above.

* *for identification purpose only*

- Reference was made to the Company's announcement dated 6 June 2017, a fellow subsidiary of the Subscriber entered into another subscription agreement with the Company in relation to the issue of convertible bonds in the principal amount of US\$100,000,000 with conversion rights to convert the principal amount thereof into a total of 1,835,294,118 Shares (the "First Conversion Shares") at conversion price of HK\$0.425 (subject to adjustments). If aggregating the full conversion effect of the Convertible Bonds for 6,603,030,769 Conversion Shares with 18,360,000 Shares held by the Subscriber as at the date of this announcement, the Subscriber and its fellow subsidiary will hold an aggregate 8,456,684,887 Shares, representing approximately 53.93% of the existing issued share capital of the Company and approximately 35.06% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares and the First Conversion Shares (i.e. equivalent to 24,120,086,768 Shares). The conversion right shall only be exercisable so long as: (i) the exercise of the conversion right will not result in the relevant Convertible Bonds Holder, its associates and parties acting in concert with it will, in aggregate, control or be interested in 30% or more of the voting rights of the Company unless (1) a whitewash waiver is obtained in accordance with the requirement of the Takeovers Code; or (2) a general offer is made in accordance with the requirement of Takeovers Code; and (ii) not less than 25% of the then issued share capital of the Company as enlarged by the issue of the Conversion Shares are held by the public.

APPLICATION OF LISTING

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No application will be made of the listing of, and permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.

USE OF PROCEEDS

The Company has already applied the proceeds from the issue of the Convertible Bonds for general working capital of the Group with details as follows: for (i) additional funding to Freeman Securities Limited (a wholly-owned subsidiary of the Company principally engaged in the provision of securities brokerage services, the provision of placing, underwriting and margin financing, investment holding and trading of securities) for business expansion of approximately HK\$200 million; (ii) money lending business of approximately HK\$200 million; and (iii) other general working capital of approximately HK\$36 million.

REASONS FOR THE AMENDMENT OF CONDITIONS

The Group is principally engaged in the financial services sector, including the provision of securities and futures brokerage services, the provision of placing, underwriting and margin financing services, the provision of insurance brokerage and financial planning services, the provision of corporate finance advisory services, the trading of securities and futures, the provision of finance, the provision of factoring, financial guarantee and finance leasing services, as well as investment holding.

The Subscriber is a company incorporated in the British Virgin Islands with limited liability. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, certain fellow subsidiaries of the Subscriber are creditors of the Company. Save and except as aforesaid, the Subscriber and its ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

In view of the recent drop in the share price of the Company, the Company has negotiated with the Subscriber to amend the conversion price and other terms of the Convertible Bonds with reference to the prevailing market price of the Shares so that it is more feasible for the Convertible Bonds Holders to exercise the conversion rights attaching to the Convertible Bonds at the amended conversion price. When the Convertible Bonds Holders exercise their conversion rights for issue of the Conversion Shares, it allows the Company to free up financial resources from repayment of the Convertible Bonds which can be used for other working capital and operating purposes and to strengthen the capital base of the Company.

The Board considers that the terms and conditions of the Deed of Undertaking and the Supplemental Deed have been arrived at after arm's length negotiation between the Company and the Subscriber which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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GENERAL

The Supplemental Deed and the transactions contemplated thereunder, including the Amendment of Conditions and the grant of the Specific Mandate are subject to, inter alia, the approval of Shareholders at the EGM. Specific Mandate for the issue of new Shares will be sought in the EGM to cater for the allotment and issue of the Conversion Shares.

A circular containing, amongst other things, (i) further details of the Supplemental Deed and the transactions contemplated thereunder, including the Amendment of Conditions and the grant of the Specific Mandate; and (ii) a notice of the EGM is expected to be despatched to the Shareholders on or before 31 October 2018 in accordance with the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings ascribed to them:

“Amendment of Conditions”	the proposed amendment of certain terms and conditions of the Convertible Bonds pursuant to the Supplemental Deed
“Announcement”	the Company’s announcement dated 24 August 2017 in relation to the issue of the Convertible Bonds
“Board”	the board of Directors
“Business Days”	a day on which commercial banks in Hong Kong are generally open for normal business other than Saturday and Sunday or a public holiday, or a day on which commercial banks do not open for business owing to a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal being in force in Hong Kong
“Company”	Freeman FinTech Corporation Limited, a company with limited liability incorporated under the laws of the Cayman Islands whose shares are listed on the Stock Exchange (Stock Code: 279)
“Convertible Bonds Holder(s)”	a holder of a Convertible Bond and in whose name such Convertible Bonds is for the time being registered in the Convertible Bonds register (or, in the case of a joint holding, the first name thereof)
“Conversion Share(s)”	the Share(s) to be issued by the Company upon conversion of the principal amount of the Convertible Bonds
“Convertible Bond(s)”	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 to be executed by the Company creating and constituting the Convertible Bonds

“Deed of Undertaking”	the deed of undertaking dated 28 September 2018 and entered into by the Company and the Subscriber
“Directors”	the director(s) of the Company from time to time
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, and if thought fit, to approve the Supplemental Deed and the transactions contemplated thereunder, including the Amendment of Conditions and the grant of the Specific Mandate
“Group”	the Company and its subsidiaries
“Huarong Investment”	Huarong Investment Stock Corporation Limited, a company with limited liability incorporated under the laws of the Cayman Islands whose shares are listed on the Stock Exchange (Stock Code: 2277)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Specific Mandate”	the specific mandate to be granted to the Directors at the EGM for the allotment and issue of the Conversion Shares upon an exercise of the conversion rights under the Convertible Bonds
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Cheery Plus Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Huarong Investment

“Subscription Agreement”	the subscription agreement dated 24 August 2017 entered into between the Company and the Subscriber in relation to the subscription of the Convertible Bonds
“Supplemental Deed”	the supplemental deed dated 28 September 2018 executed by the Company in relation to the Amendment of Conditions
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Trading Days”	a day when the Stock Exchange (or in respect of any other security, the relevant stock exchange or securities market), is open for dealing business
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By Order of the Board
Freeman FinTech Corporation Limited
Ye Ye
Chairman

Hong Kong, 28 September 2018

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

Executive Directors:

Mr. Ye Ye (*Chairman*)
Mr. Yang Haoying (*Chief Executive Officer*)
Mr. Pun Hong Hai (*Chief Operating Officer*)
Ms. Chow Mun Yee
Mr. Zhao Tong

Independent Non-executive Directors:

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