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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)**

### **FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019**

#### **FINAL RESULTS**

The Board of Directors (the “Board”) of Freeman FinTech Corporation Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2019, which have been reviewed by the Audit Committee, as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*Year ended 31 March 2019*

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
<b>REVENUE</b>	4	<b>(74,633)</b>	500,469
Cost of sales		<b>(18,115)</b>	(10,028)
<b>Gross profit/(loss)</b>		<b>(92,748)</b>	490,441
Other income and gains	4	<b>112,338</b>	497,320
Fair value gains/(losses) on investments at fair value through profit or loss, net		<b>(59,856)</b>	25,366
General and administrative expenses		<b>(285,180)</b>	(187,154)
Provision for impairment loss of loans receivable, net	12	<b>(1,368,726)</b>	(320,000)
Provision for impairment loss of accounts receivable, net	11	<b>(20,115)</b>	(135,417)
Provision for impairment loss of finance lease receivables	10	<b>(89,198)</b>	–
Other expenses, net		<b>(11,746)</b>	–
Finance costs	6	<b>(374,185)</b>	(207,079)
Share of profits and losses of associates and a joint venture		<b>39,615</b>	160,907

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
<b>PROFIT/(LOSS) BEFORE TAX</b>	5	<b>(2,149,801)</b>	324,384
Income tax expense	7	<u><b>(3,394)</b></u>	<u>(21,362)</u>
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<u><b>(2,153,195)</b></u>	<u>303,022</u>
Attributable to:			
Owners of the Company		<b>(2,160,250)</b>	269,894
Non-controlling interests		<u><b>7,055</b></u>	<u>33,128</u>
		<u><b>(2,153,195)</b></u>	<u>303,022</u>
<b>EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		(Restated)
Basic		<u><b>(HK\$1.38)</b></u>	<u>HK\$0.18</u>
Diluted		<u><b>(HK\$1.38)</b></u>	<u>HK\$0.17</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b><u>(2,153,195)</u></b>	<b><u>303,022</u></b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
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
Exchange difference arising on translating foreign operations	<b>(166,440)</b>	191,491
Share of other comprehensive income/(loss) of associates	<b>14,089</b>	(6,918)
Other comprehensive income 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)	<b><u>296,213</u></b>	<u>–</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b><u>143,862</u></b>	<u>174,801</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<b><u>(2,009,333)</u></b>	<b><u>477,823</u></b>
Attributable to:		
Owners of the Company	<b>(1,972,198)</b>	441,365
Non-controlling interests	<b><u>(37,135)</u></b>	<u>36,458</u>
	<b><u>(2,009,333)</u></b>	<b><u>477,823</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2019

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>6,133</b>	14,943
Goodwill		<b>660,674</b>	660,674
Investments in associates	<i>17</i>	<b>365,061</b>	–
Investment in a joint venture	<i>17</i>	–	143,470
Intangible assets		<b>17,145</b>	17,145
Other financial assets	<i>9</i>	<b>1,602,947</b>	667,445
Finance lease receivables	<i>10</i>	<b>480,063</b>	247,763
Prepayments and deposits		<b>10,220</b>	16,945
		<hr/>	<hr/>
Total non-current assets		<b>3,142,243</b>	1,768,385
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Accounts receivable	<i>11</i>	<b>73,767</b>	546,305
Other financial assets	<i>9</i>	<b>1,148,314</b>	1,833,235
Loans receivable	<i>12</i>	<b>446,555</b>	1,266,824
Factoring receivables	<i>13</i>	<b>308,525</b>	323,614
Finance lease receivables	<i>10</i>	<b>383,263</b>	301,709
Note receivable		–	600,000
Prepayments, deposits and other receivables		<b>173,661</b>	49,497
Investments at fair value through profit or loss		<b>23,531</b>	408,497
Restricted bank deposits		<b>157,312</b>	190,899
Cash and bank balances		<b>222,143</b>	1,302,157
		<hr/>	<hr/>
Total current assets		<b>2,937,071</b>	6,822,737
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Accounts payable	<i>14</i>	<b>17,608</b>	97,220
Other payables and accruals		<b>159,576</b>	136,074
Interest-bearing borrowings	<i>15</i>	<b>1,340,756</b>	690,130
Convertible instruments	<i>16</i>	<b>1,347,922</b>	–
Tax payable		<b>25,719</b>	33,927
		<hr/>	<hr/>
Total current liabilities		<b>2,891,581</b>	957,351
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>45,490</b>	5,865,386
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,187,733</b>	7,633,771
		<hr/>	<hr/>

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Other payables		–	202,800
Interest-bearing borrowings	<i>15</i>	<b>58,000</b>	1,390,693
Convertible instruments	<i>16</i>	–	1,025,423
Deferred tax liability		<b>3,442</b>	3,500
		<hr/>	<hr/>
Total non-current liabilities		<b>61,442</b>	2,622,416
		<hr/>	<hr/>
Net assets		<b>3,126,291</b>	5,011,355
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital		<b>15,682</b>	15,663
Reserves		<b>2,441,028</b>	4,288,078
		<hr/>	<hr/>
		<b>2,456,710</b>	4,303,741
<b>Non-controlling interests</b>		<b>669,581</b>	707,614
		<hr/>	<hr/>
Total equity		<b>3,126,291</b>	5,011,355
		<hr/> <hr/>	<hr/> <hr/>

## 1. BASIS OF PREPARATION

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

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 approximately 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 approximately 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 approximately 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.

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.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Other than as explained below regarding the impact of HKFRS 9, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### (i) HKFRS 9 Financial Instruments

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained profits and reserves and the related tax impact at 1 April 2018.

	<i>HK\$'000</i>
<b>Retained profits</b>	
Recognition of additional expected credit losses on financial assets measured at amortised cost and decrease in retained profits at 1 April 2018	<u>12,243</u>
<b>Available-for-sale investment revaluation reserve</b>	
Transferred to investment revaluation reserve (non-recycling) relating to equity securities now measured at fair value through other comprehensive income and increase in available-for-sale investment revaluation reserve at 1 April 2018	<u>2,829</u>

**Investment revaluation reserve (non-recycling)**

Recognition relating to financial assets recorded at cost now measured at fair value through other comprehensive income	39,289
Transferred from available-for-sale investment revaluation reserve relating to equity securities now measured at fair value through other comprehensive income	<u>(2,829)</u>
Net increase in investment revaluation reserve (non-recycling) at 1 April 2018	<u><u>36,460</u></u>

**Non-controlling interests**

Recognition of additional expected credit losses on financial assets measured at amortised cost and decrease in non-controlling interests at 1 April 2018	<u><u>898</u></u>
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Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

**(a) Classification of financial assets and financial liabilities**

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at fair value through profit or loss. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.



	HKAS 39 carrying amount at 31 March 2018 <i>HK\$'000</i>	Reclassification <i>HK\$'000</i>	Remeasurement <i>HK\$'000</i>	HKFRS 9 carrying amount at 1 April 2018 <i>HK\$'000</i>
<b>Financial assets carried at amortised cost</b>				
Accounts and other receivables	587,257	–	(2,441)	584,816
Loans receivable	1,266,824	–	(6,334)	1,260,490
Factoring receivables	323,614	–	(1,618)	321,996
Finance lease receivables – non-current portion	247,763	–	(1,239)	246,524
Finance lease receivables – current portion	301,709	–	(1,509)	300,200
Restricted bank deposits	190,899	–	–	190,899
Note receivable	600,000	–	–	600,000
Cash and bank balances	1,302,157	–	–	1,302,157
	<u>4,820,223</u>	<u>–</u>	<u>(13,141)</u>	<u>4,807,082</u>
<b>Financial assets measured at fair value through other comprehensive income (non-recycling)</b>				
Equity securities ( <i>note (i)</i> )	–	667,445	39,289	706,734
	<u>–</u>	<u>667,445</u>	<u>39,289</u>	<u>706,734</u>
<b>Financial assets carried at fair value through profit or loss</b>				
Investments at fair value through profit or loss ( <i>note (ii)</i> )	408,497	–	–	408,497
Wealth management products ( <i>note (iii)</i> )	–	1,833,235	–	1,833,235
	<u>408,497</u>	<u>1,833,235</u>	<u>–</u>	<u>2,241,732</u>
<b>Financial assets classified as available-for-sale under HKAS 39 (<i>notes (i), (iii)</i>)</b>				
	<u>2,500,680</u>	<u>(2,500,680)</u>	<u>–</u>	<u>–</u>

*Notes:*

- (i) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at fair value through profit or loss under HKFRS 9, unless they are eligible for and designated at fair value through other comprehensive income by the Group. At 1 April 2018, the Group designated these equity securities at fair value through other comprehensive income (non-recycling), as the investments are held for strategic purposes.
- (ii) Investments at fair value through profit or loss were classified as financial assets at fair value through profit or loss under HKAS 39. These assets continue to be measured at fair value through profit or loss under HKFRS 9.
- (iii) Under HKAS 39, wealth management products were classified as available-for-sale financial assets. They are classified as at fair value through profit or loss under HKFRS 9, unless they are eligible for and designated at fair value through other comprehensive income by the Group.

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts. The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or re-designate any financial asset or financial liability at fair value through profit or loss at 1 April 2018.

**(b) Credit losses**

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the “expected credit loss” (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including accounts and other receivables, loans receivable, factoring receivables, finance lease receivables, restricted bank deposits and cash and bank balances); and
- financial guarantee contracts issued.

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 March 2018 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 April 2018.

	<i>HK\$'000</i>
Loss allowance at 31 March 2018 under HKAS 39	455,417
Additional credit loss recognised at 1 April 2018 on:	
– Accounts receivable	2,441
– Loans receivable	6,334
– Factoring receivables	1,618
– Finance lease receivables	2,748
	468,558
Loss allowance at 1 April 2018 under HKFRS 9	468,558

**(c) Transition**

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained profits and reserves as at 1 April 2018. Accordingly, the information presented for 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group):
  - the determination of the business model within which a financial asset is held; and
  - the designation of certain investments in equity instruments not held for trading to be classified as at fair value through other comprehensive income (non-recycling).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

**(ii) HKFRS 15 Revenue from Contracts with Customers**

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11 *Construction Contracts*, which specified the accounting for construction contracts. The adoption of HKFRS 15 does not have any material impact on the financial position and the financial result of the Group.

**(iii) HK(IFRIC)-Int 22 Foreign Currency Transactions and Advance Consideration**

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC)-Int 22 does not have any material impact on the financial position and the financial result of the Group.

**3. OPERATING SEGMENT INFORMATION**

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

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

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

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

No analysis of the Group's assets and liabilities by operating segments was provided to the management for review during the years ended 31 March 2019 and 2018 for the purposes of resources allocation and performance assessment.

### Year ended 31 March 2019/As at 31 March 2019

	Trading of securities and futures HK\$'000	Provision of finance HK\$'000	Insurance brokerage business HK\$'000	Securities and futures brokerage, placing, underwriting and margin financing HK\$'000	Factoring, financial guarantee and finance leasing HK\$'000	Investment holding HK\$'000	Corporate finance advisory HK\$'000	Total HK\$'000
<b>Segment revenue:</b>								
Sales to external customers	(283,407)	74,099	16,755	66,660	51,260	-	-	(74,633)
Intersegment sales	-	-	92	-	-	-	-	92
	(283,407)	74,099	16,847	66,660	51,260	-	-	(74,541)
<i>Reconciliation:</i>								
Elimination of intersegment sales								(92)
Total revenue								<u>(74,633)</u>
<b>Segment results:</b>	(314,268)	(1,298,502)	(4,242)	(27,580)	(70,334)	(77,439)	(126)	(1,792,491)
<i>Reconciliation:</i>								
Bank interest income								622
Other interest income								55
Investment income on other financial assets								95,912
Corporate and other unallocated expenses								(79,714)
Finance costs								<u>(374,185)</u>
Loss before tax								<u>(2,149,801)</u>

**Year ended 31 March 2019/As at 31 March 2019**

	Trading of securities and futures	Provision of finance	Insurance brokerage business	Securities and futures brokerage, placing, underwriting and margin financing	Factoring, financial guarantee and finance leasing	Investment holding	Corporate finance advisory	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other segment information:</b>								
Share of profits of associates and a joint venture	-	-	-	-	-	39,615	-	39,615
Provision for impairment loss of loans receivable, net	-	(1,368,726)	-	-	-	-	-	(1,368,726)
Provision for impairment loss of accounts receivable, net	-	-	-	(20,115)	-	-	-	(20,115)
Provision for impairment loss of finance lease receivables	-	-	-	-	(89,198)	-	-	(89,198)
Depreciation								
– operating segment	-	-	(7)	(497)	(1,282)	-	-	(1,786)
– unallocated								(2,199)
								<u>(3,985)</u>
Investments in associates	-	-	-	-	23,387	341,674	-	365,061
Other financial assets	-	-	-	731,731	1,148,314	871,216	-	2,751,261
Capital expenditure								
– operating segment	-	-	-	5	14	-	-	19*
– unallocated								<u>2,085*</u>
								<u><u>2,104</u></u>

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

Year ended 31 March 2018/As at 31 March 2018

	Trading of securities and futures <i>HK\$'000</i>	Provision of finance <i>HK\$'000</i>	Insurance brokerage business <i>HK\$'000</i>	Securities and futures brokerage, placing, underwriting and margin financing <i>HK\$'000</i>	Factoring, financial guarantee and finance leasing <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Corporate finance advisory <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue:</b>								
Sales to external customers	63,738	225,390	8,378	139,522	63,321	–	120	500,469
Intersegment sales	–	–	–	66	–	–	–	66
	<u>63,738</u>	<u>225,390</u>	<u>8,378</u>	<u>139,588</u>	<u>63,321</u>	<u>–</u>	<u>120</u>	<u>500,535</u>
<i>Reconciliation:</i>								
Elimination of intersegment sales								<u>(66)</u>
Total revenue								<u><u>500,469</u></u>
<b>Segment results:</b>	73,057	(362,861)	(4,972)	(64,612)	41,481	788,803	(1,372)	469,524
<i>Reconciliation:</i>								
Bank interest income								285
Other interest income								123
Investment income on other financial assets								79,540
Corporate and other unallocated expenses								(18,009)
Finance costs								<u>(207,079)</u>
Profit before tax								<u><u>324,384</u></u>

Year ended 31 March 2018/As at 31 March 2018

	Trading of securities and futures <i>HK\$'000</i>	Provision of finance <i>HK\$'000</i>	Insurance brokerage business <i>HK\$'000</i>	Securities and futures brokerage, placing, underwriting and margin financing <i>HK\$'000</i>	Factoring, financial guarantee and finance leasing <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Corporate finance advisory <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Other segment information:</b>								
Share of profits of an associate and a joint venture	-	-	-	-	-	160,907	-	160,907
Provision for impairment loss of loans receivable	-	(320,000)	-	-	-	-	-	(320,000)
Provision for impairment loss of accounts receivable	-	-	-	(135,417)	-	-	-	(135,417)
Depreciation								
- operating segment	-	-	-	(498)	(2,096)	-	-	(2,594)
- unallocated								(2,165)
								<u>(4,759)</u>
Investment in a joint venture	-	-	-	-	-	143,470	-	143,470
Available-for-sale investments	-	-	-	-	1,833,235	667,445	-	2,500,680
Capital expenditure								
- operating segment	-	-	-	571	581	-	-	1,152*
- unallocated								<u>12,085*</u>
								<u>13,237</u>

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



## Geographical information

### (a) Revenue from external customers

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong	(125,893)	437,148
The People's Republic of China (the "PRC")	<u>51,260</u>	<u>63,321</u>
Total	<u><u>(74,633)</u></u>	<u><u>500,469</u></u>

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

### (b) Non-current assets

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong	375,378	191,267
The PRC	<u>683,855</u>	<u>661,910</u>
Total	<u><u>1,059,233</u></u>	<u><u>853,177</u></u>

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

## Information about major customers

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Provision of finance		
Customer A	28,276	–
Customer B	–	69,141

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

#### 4. REVENUE, OTHER INCOME AND GAINS

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

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Revenue</b>		
Interest income from provision of finance	74,099	225,390
Dividend income from investments at fair value through profit or loss	–	5,250
Gains/(losses) from the sale of investments at fair value through profit or loss, net ( <i>note a</i> )	(283,407)	58,488
Insurance brokerage income	16,755	8,378
Corporate finance advisory fee	–	120
Commission and brokerage income from securities and futures dealings	53,360	51,569
Commission from underwriting and placing services	3,473	4,012
Interest income on margin financing activities	9,827	83,941
Commissions and fees from financial guarantee services	10,069	12,373
Factoring interest income	11,865	14,573
Finance lease interest income	29,326	36,375
	<u>(74,633)</u>	<u>500,469</u>
<b>Other income and gains</b>		
Bank interest income	622	285
Other interest income	55	123
Investment income on other financial assets	95,912	79,540
Dividend handling charge and other surcharges	2,262	2,375
Gain on disposal of other financial assets	–	267,201
Gain on disposal of an associate	–	114,958
Gain on deemed disposal of an associate	–	9,954
Gain on deemed disposal of a joint venture	–	2,441
Modification gain on convertible bonds	654	–
Foreign exchange differences, net	2,666	7,683
Others	10,167	12,760
	<u>112,338</u>	<u>497,320</u>

*Note:*

- (a) The gross proceeds from sale of investments at fair value through profit or loss for the year were approximately HK\$121,460,000 (2018: HK\$490,603,000).

## 5. PROFIT/(LOSS) BEFORE TAX

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Depreciation	3,985	4,759
Employee benefit expenses (excluding directors' remuneration):		
Salaries and allowances	45,081	44,615
Retirement benefit scheme contributions (defined contribution scheme) ( <i>note a</i> )	1,112	1,052
Equity-settled share option expense	20,348	–
	<u>66,541</u>	<u>45,667</u>
Auditor's remuneration	3,200	2,800
Equity-settled share option expense ( <i>note b</i> )	74,268	–
Minimum lease payments under operating leases	28,870	33,954
Deemed gains on changes in shareholding interests in an associate and a joint venture ( <i>note c</i> )	–	(12,395)
Gain on disposal of an associate ( <i>note c</i> )	–	(114,958)
Gain on disposal of other financial assets, net ( <i>note c</i> )	–	(267,201)
Modification gain on convertible bonds ( <i>note c</i> )	(654)	–
Provision for impairment loss of loans receivable, net	1,368,726	320,000
Provision for impairment loss of accounts receivable, net	20,115	135,417
Provision for impairment loss of finance lease receivables	89,198	–
Reversal of provision for impairment loss of factoring receivables ( <i>note d</i> )	(68)	–
Impairment loss of accounts receivable recognised ( <i>note d</i> )	5,059	–
Loss on disposal of items of property, plant and equipment ( <i>note d</i> )	6,755	–

*Notes:*

- (a) At 31 March 2019, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit scheme in future years (2018: Nil).
- (b) Amount included approximately HK\$20,348,000 classified as employee benefit expenses and approximately HK\$45,296,000 classified as directors' remuneration.
- (c) These gains are included in "Other income and gains" for the years ended 31 March 2019 and 31 March 2018 in the consolidated statement of profit or loss.
- (d) These items are included in "Other expenses, net" for the year ended 31 March 2019 in the consolidated statement of profit or loss.

## 6. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interests on borrowings	123,305	82,872
Interests on convertible instruments	211,336	124,207
Other finance costs	39,544	–
	<u>374,185</u>	<u>207,079</u>

## 7. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current		
Charge for the year		
– Hong Kong	–	12,226
– the PRC	3,692	6,012
Under/(over) provision in prior years	(240)	2,869
Deferred	(58)	255
	<u>3,394</u>	<u>21,362</u>
Total tax expense for the year	<u>3,394</u>	<u>21,362</u>

The share of tax charge attributable to associates and a joint venture amounting to HK\$1,368,000 (2018: HK\$1,282,000) is included in “Share of profits and losses of associates and a joint venture” in the consolidated statement of profit or loss for the year ended 31 March 2019.

## 8. EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

### (a) Basic earning/(loss) per share

The calculation of the basic loss per share is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$2,160,250,000 (2018: profit of HK\$269,894,000), and the weighted average number of ordinary shares of 1,567,995,103 (2018: 1,537,356,467, as restated) in issue during the year. The weighted average numbers of ordinary shares for the purpose of calculating basic and diluted earning per share for the year ended 31 March 2018 have been retrospectively adjusted for the effect of share consolidation becoming effective during the year ended 31 March 2019.

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

	2019	2018 (Restated)
<b>Number of shares</b>		
Issued ordinary shares at beginning of year	15,663,401,881	14,324,137,300
Effect of warrants exercised	–	1,063,527,569
Effect of shares repurchased and cancelled	–	(14,753,863)
Effect of conversion of convertible instruments	16,549,151	653,666
Effect of share consolidation	(14,111,955,929)	(13,836,208,205)
	<u>1,567,995,103</u>	<u>1,537,356,467</u>
Weighted average number of ordinary shares at end of year	<u>1,567,995,103</u>	<u>1,537,356,467</u>

**(b) Diluted earning/(loss) per share**

The calculation of diluted loss per share is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$2,160,250,000 (2018: profit of HK\$269,894,000) and the weighted average number of ordinary shares of 1,567,995,103 shares (2018: 1,566,094,985 shares, as restated), calculated as follows:

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

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Profit/(loss) attributable to ordinary equity holders	<b>(2,160,250)</b>	269,894
After tax effect of effective interest on the liability component of the convertible instruments ( <i>note</i> )	—	—
	<u>                    </u>	<u>                    </u>
Profit/(loss) attributable to ordinary equity holders (diluted)	<b><u>(2,160,250)</u></b>	<b><u>269,894</u></b>

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

	<b>2019</b>	2018
		(Restated)
Weighted average number of ordinary shares for the purpose of basic earning/(loss) per share at 31 March	<b>1,567,995,103</b>	1,537,356,467
Effect of deemed issue of shares under the Company's share option scheme ( <i>note</i> )	—	211,480,031
Effect of issue of warrants	—	75,905,149
Effect of share consolidation	—	(258,646,662)
	<u>                    </u>	<u>                    </u>
Weighted average number of ordinary shares for the purpose of diluted earning/(loss) per share at 31 March	<b><u>1,567,995,103</u></b>	<b><u>1,566,094,985</u></b>

*Note:*

The calculation of diluted loss per share for the year ended 31 March 2019 does not assume (i) the conversion of the Company's outstanding convertible instruments since it would result an anti-dilutive effect on the basic loss per share; and (ii) the exercise of the Company's outstanding share options as it had no dilutive effect on the basic loss per share. The calculation of diluted earning per share for the year ended 31 March 2018 does not assume the conversion of the Company's outstanding convertible bonds since its conversion would result an anti-dilutive effect on the basic earning per share.

## 9. OTHER FINANCIAL ASSETS

	<b>31 March 2019 HK\$'000</b>	1 April 2018 HK\$'000	31 March 2018 HK\$'000
<b>Non-current:</b>			
Investments at fair value through other comprehensive income (non-recycling)			
– Unlisted equity investment in the PRC ( <i>notes a and e</i> )	<b>731,731</b>	670,969	–
– Other unlisted equity investment ( <i>note b</i> )	<b>841,762</b>	–	–
– Listed equity investment in the Philippines ( <i>notes c and e</i> )	<b>29,454</b>	35,765	–
	<b><u>1,602,947</u></b>	<u>706,734</u>	<u>–</u>
Available-for-sale investments			
– Unlisted equity investment in the PRC, at cost ( <i>notes a and e</i> )	–	–	631,680
– Listed equity investment in the Philippines, at fair value ( <i>notes c and e</i> )	–	–	35,765
	<b><u>–</u></b>	<u>–</u>	<u>667,445</u>
<b>Current:</b>			
Investments carried at fair value through profit or loss			
– Unlisted wealth management products ( <i>notes d and e</i> )	<b><u>1,148,314</u></b>	<u>1,833,235</u>	<u>–</u>
Available-for-sale investments			
– Unlisted wealth management products, at fair value ( <i>notes d and e</i> )	–	–	1,833,235

### Notes:

- (a) Balance represented equity interest in a full-licensed securities company in China (Shanghai) Pilot Free Trade Zone under the framework of the Closer Economic Partnership Arrangement between Mainland China and Hong Kong.
- (b) Balance represented equity interest in an investment holding company which was acquired in April 2018.
- (c) The listed equity investment in the Philippines was stated at fair value based on quoted market price in active market at the end of the reporting period.
- (d) Balance represented the Group's investment in wealth management products from financial institutions in the PRC which were not yet due nor early redeemed as at the end of each of the reporting periods.
- (e) Available-for-sale investments were reclassified to financial assets measured at fair value through profit or loss and equity securities designated at fair value through other comprehensive income (non-recycling) upon the initial application of HKFRS 9 at 1 April 2018.

## 10. FINANCE LEASE RECEIVABLES

	Minimum lease payments receivable		Present value of minimum lease payments receivable	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance lease receivables comprise:				
Within one year	531,948	334,921	461,560	301,709
In more than one year but not more than two years	524,442	268,550	493,712	247,763
	<u>1,056,390</u>	<u>603,471</u>	<u>955,272</u>	<u>549,472</u>
Less: Unearned finance lease income	(101,118)	(53,999)	–	–
	<u>955,272</u>	<u>549,472</u>	<u>955,272</u>	<u>549,472</u>
Less: Provision for impairment loss	(91,946)	–	(91,946)	–
	<u>863,326</u>	<u>549,472</u>	<u>863,326</u>	<u>549,472</u>
Present value of minimum lease payments receivable	<u>863,326</u>	<u>549,472</u>	<u>863,326</u>	<u>549,472</u>
Analysed as:				
Current assets			383,263	301,709
Non-current assets			480,063	247,763
			<u>863,326</u>	<u>549,472</u>

The movements in the provision for impairment of finance lease receivables are as follows:

	2019	2018
	HK\$'000	HK\$'000
At beginning of year under HKAS 39	–	–
Effect arising from adoption of HKFRS 9	2,748	–
	<u>2,748</u>	<u>–</u>
At beginning of year (restated)	2,748	–
Provision for impairment loss ( <i>note</i> )	89,198	–
	<u>89,198</u>	<u>–</u>
At end of year	<u>91,946</u>	<u>–</u>

*Note:* Amount is included in “Provision for impairment loss of finance lease receivables” in the consolidated statement of profit or loss.

## 11. ACCOUNTS RECEIVABLE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Accounts receivable arising from the ordinary course of business of:		
– Dealing in securities:		
Margin clients	183,684	592,063
Clearing houses	19,047	58,027
– Insurance brokerage business	530	578
– Futures brokerage business	4,738	6,622
– Financial guarantee business	23,741	24,432
	<u>231,740</u>	<u>681,722</u>
Less: Provision for impairment loss	<u>(157,973)</u>	<u>(135,417)</u>
	<u><u>73,767</u></u>	<u><u>546,305</u></u>

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

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 90 days	231,730	681,641
Between 91 to 180 days	10	81
	<u>231,740</u>	<u>681,722</u>



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

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At beginning of year under HKAS 39	135,417	–
Effect arising from adoption of HKFRS 9	<u>2,441</u>	<u>–</u>
At beginning of year (restated)	137,858	–
Provision for impairment loss ( <i>note</i> )	22,284	135,417
Reversal of provision for impairment loss ( <i>note</i> )	<u>(2,169)</u>	<u>–</u>
At end of year	<u><u>157,973</u></u>	<u><u>135,417</u></u>

*Note:* Amounts are included in “Provision for impairment loss of accounts receivable, net” in the consolidated statement of profit or loss.

## 12. LOANS RECEIVABLE

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loans receivable	2,141,615	1,586,824
Less: Provision for impairment loss	<u>(1,695,060)</u>	<u>(320,000)</u>
	<u><u>446,555</u></u>	<u><u>1,266,824</u></u>

Loans receivable represented receivables arising from the provision of finance business of the Group, and bear interest at rates ranging from 8% to 18% per annum (2018: 12% to 24% per annum).

All the loans receivable as at 31 March 2019 and 31 March 2018 were unsecured.

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

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 90 days	10,638	512,308
Between 91 to 180 days	3,562	194,692
Between 181 days to one year	794,687	879,824
Over one year	<u>1,332,728</u>	<u>–</u>
	<u><u>2,141,615</u></u>	<u><u>1,586,824</u></u>

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At beginning of year under HKAS 39	320,000	–
Effect arising from adoption of HKFRS 9	<u>6,334</u>	<u>–</u>
At beginning of year (restated)	326,334	–
Provision for impairment loss ( <i>note</i> )	1,428,726	320,000
Reversal of provision for impairment loss ( <i>note</i> )	<u>(60,000)</u>	<u>–</u>
At end of year	<u><u>1,695,060</u></u>	<u><u>320,000</u></u>

*Note:* Amounts are included in “Provision for impairment loss of loans receivable, net” in the consolidated statement of profit or loss.

### 13. FACTORING RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Factoring receivables	310,075	323,614
Less: Provision for impairment loss	<u>(1,550)</u>	<u>–</u>
	<u><u>308,525</u></u>	<u><u>323,614</u></u>

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 90 days	24,989	213,660
Between 91 to 180 days	–	62,474
Between 181 days to one year	193,877	22,490
Over one year	<u>91,209</u>	<u>24,990</u>
	<u><u>310,075</u></u>	<u><u>323,614</u></u>

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At beginning of year under HKAS 39	–	–
Effect arising from adoption of HKFRS 9	<u>1,618</u>	<u>–</u>
At beginning of year (restated)	1,618	–
Reversal of provision for impairment loss ( <i>note 5</i> )	<u>(68)</u>	<u>–</u>
At end of year	<u><u>1,550</u></u>	<u><u>–</u></u>

#### 14. ACCOUNTS PAYABLE

The balances as at 31 March 2019, based on the trade date, were all aged within 90 days (31 March 2018: 90 days).

#### 15. INTEREST-BEARING BORROWINGS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Non-current:</b>		
Bank borrowings, secured	–	25,445
Bank borrowings, unsecured	28,000	78,000
Other borrowings, secured	–	1,257,248
Other borrowings, unsecured	<u>30,000</u>	<u>30,000</u>
Total non-current borrowings	<u>58,000</u>	<u>1,390,693</u>
<b>Current:</b>		
Bank borrowings, secured	23,813	347,091
Bank borrowings, unsecured	15,000	15,000
Other borrowings, secured	1,301,943	278,039
Other borrowings, unsecured	<u>–</u>	<u>50,000</u>
Total current borrowings	<u>1,340,756</u>	<u>690,130</u>
Total borrowings	<u><u>1,398,756</u></u>	<u><u>2,080,823</u></u>

During the year ended 31 March 2019, certain covenants of the borrowings were breached. The breach of covenants constituted events of default under the relevant agreements, which may cause the relevant borrowings in aggregate of approximately HK\$1,295,443,000 becoming immediately repayable. Accordingly, the Group classified all outstanding balances of such borrowings as current liabilities as at 31 March 2019.

## **16. CONVERTIBLE INSTRUMENTS**

During the year ended 31 March 2019, certain covenants of the convertible instruments were breached. The breach of covenants constituted events of default under the relevant instruments, which may cause the relevant convertible instruments becoming immediately repayable. Accordingly, the Group classified all outstanding balances of such convertible instruments as current liabilities as at 31 March 2019.

## **17 INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE**

As at 31 March 2018, the Group had an investment in a joint venture of HK\$143 million, represented by 31.38% equity interest in FreeOpt Holdings Limited (“FreeOpt”). Such investment in a joint venture was reclassified as investments in associates on 4 October 2018 pursuant to a termination agreement entered with other joint venture parties to cease the joint venture relationship without changing their respective shareholdings in FreeOpt. Thereafter, the Group has significant influence over FreeOpt in proportion to its voting rights in the shareholders’ meeting.

## **EXTRACT OF INDEPENDENT AUDITORS' REPORT**

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

### **BASIS FOR 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 Group's 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.

\* *Being note 1 in this announcement.*

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINAL DIVIDEND**

The directors of Freeman FinTech Corporation Limited (the "Company", collectively with its subsidiaries referred to as the "Group") do not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: Nil).

### **BUSINESS REVIEW**

The Group's consolidated net loss for the year was HK\$2,153 million (2018: profit of HK\$303 million). The consolidated net assets of the Group decreased from HK\$5,011 million as at 31 March 2018 to HK\$3,126 million as at 31 March 2019. The consolidated net loss was mainly attributable to (i) net realised loss and net unrealised loss of investments at fair value through profit or loss of HK\$283 million and HK\$60 million, respectively; (ii) net provision for impairment loss of loans receivable of HK\$1,369 million as a result of extremely challenging market conditions that affect the repayments from the borrowers; (iii) net provision for impairment loss of accounts receivable of HK\$20 million; (iv) provision for impairment loss of finance lease receivables of HK\$89 million; (v) finance costs of HK\$374 million; and (vi) an one-off equity-settled share option expense of HK\$74 million.

## **Letter of Intent in relation to a possible investment**

In February 2018, the Company entered into the Letter of Intent with Meson. Pursuant to the Letter of Intent, Meson is considering the Possible Investment in the Cayman Company. The Possible Investment may be carried out by way of acquisition of the Cayman Company's shares indirectly held by the Company and/or subscription of new shares to be issued by the Cayman Company through capital injection. Upon completion of the Possible Investment, Meson will own a majority stake in the Cayman Company.

Pursuant to the Letter of Intent, Meson estimates that the valuation of the Cayman Company is HK\$3 billion and the final consideration to be payable by Meson for the Possible Investment, if materialised, will be further negotiated and determined with reference to the valuation report to be issued by an independent valuer.

Meson is a company incorporated in the People's Republic of China (the "PRC") with limited liability, the shares of which are listed on Shenzhen Stock Exchange (stock code: 002647.SZ). Meson is principally engaged in the provision of information services such as information system integration, information technology consulting, data processing, information storage, and other services. Meson also operates industrial investments, asset management and other businesses.

As at the date of the Letter of Intent, Mr. Zhang Yongdong ("Mr. Zhang"), a substantial shareholder of the Company who then held approximately 24.36% of the issued share capital of the Company, also then held approximately 20.50% of the issued share capital of Meson.

In May 2018, the Company entered into the Termination Agreement with Meson. Pursuant to the Termination Agreement, the Letter of Intent ceased to have any effect and none of the parties to the Letter of Intent will have any claim against the other for costs, damages, compensation or otherwise.

Details in relation to the Letter of Intent, the termination of the Letter of Intent and the capitalised terms in the above paragraphs were set out in the announcements of the Company dated 22 February 2018 and 18 May 2018.

## **Issue and conversion of secured convertible bonds under general mandates**

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

In August 2017, the Company entered into another subscription agreement with a wholly-owned subsidiary of Huarong Investment Stock Corporation Limited (the “Second Subscriber”, whose shares are listed on the main board of the Stock Exchange, stock code: 2277) in relation to the subscription of the convertible bonds of the Company under general mandate for 1,028,235,294 conversion shares at conversion price of HK\$0.425 per conversion share (the “Second Subscription”). The gross proceeds from the Second Subscription amounted to HK\$437 million. The convertible bonds in the principal amount of HK\$437 million, carried interest at 4% per annum and secured by 15% (which has been diluted to 12.17% of the share capital in the Securities Company (as defined below) during the year ended 31 March 2019) equity interest in the Securities Company were issued by the Company to the Second Subscriber in September 2017 (the “Second Convertible Bonds”). The net proceeds of the First Subscription and the Second Subscription of HK\$779 million and HK\$436 million respectively have been utilised as intended for additional funding to Freeman Securities Limited (an indirect wholly-owned subsidiary of the Company principally engaged in securities brokerage services, the provision of placing, underwriting, margin financing, investment holding and trading of securities) for business expansion, money lending business and other general working capital of the Group.

In March 2018, US\$1 million conversion rights attaching to the First Convertible Bonds were exercised and 18,352,941 shares of the Company (the “Share(s)”) were issued.

In May 2018, HK\$7.8 million conversion rights attaching to the Second Convertible Bonds were exercised and 18,360,000 Shares were issued. As at 31 May 2018, the Company’s total issued shares were 15,681,761,881 Shares. As a result of the Share Consolidation (as defined below) became effective on 12 November 2018, the Company’s total issued shares have been adjusted to 1,568,176,188 Shares, the conversion price for the First Convertible Bonds and the Second Convertible Bonds has been adjusted to HK\$4.25 per Share and the conversion shares attributable to the outstanding First Convertible Bonds and the Second Convertible Bonds have been adjusted to 181,694,117 Shares and 100,987,529 Shares respectively.

In September 2018, the Company entered into a deed of undertaking and a supplemental deed (the “Deeds”) with the Second Subscriber to amend certain terms and conditions of the Second Convertible Bonds (the “Amendments on the Second Convertible Bonds”). Pursuant to the Deeds, among other things, the conversion price shall be adjusted to HK\$0.065 per conversion share (which has been adjusted to HK\$0.65 per conversion share as a result of the Share Consolidation became effective on 12 November 2018) and the interest rate of the Second Convertible Bonds shall be adjusted to 7% per annum on and after the date on which the Amendments on the Second Convertible Bonds become effective.

In October 2018, the Company entered into an undertaking and a supplemental instrument (the “Instruments”) with the First Subscriber to amend certain terms and conditions of the First Convertible Bonds (the “Amendments on the First Convertible Bonds”). Pursuant to the Instruments, among other things, the conversion price shall be adjusted to HK\$0.065 per conversion share (which has been adjusted to HK\$0.65 per conversion share as a result of the Share Consolidation became effective on 12 November 2018).



In November 2018, the Company entered into a second supplemental deed with the Second Subscriber and a supplemental undertaking with the First Subscriber pursuant to which the Company agreed to further amend certain terms and conditions of the Second Convertible Bonds and First Convertible Bonds respectively (collectively with the Amendments of the Second Convertible Bonds and the Amendments of the First Convertible Bonds referred to as the “Amendments”).

The Amendments were completed on 13 December 2018. The conversion price for the First Convertible Bonds and the Second Convertible Bonds has been adjusted to HK\$0.65 per Share and the conversion shares attributable to the outstanding First Convertible Bonds and Second Convertible Bonds as at 31 March 2019 have been adjusted to 1,188,000,000 Shares and 660,303,076 Shares respectively.

On 10 April 2019, the Company received a demand letter from the Second Subscriber (the “Demand Letter from the Second Subscriber”) in relation to the event of default as mentioned in the announcement of the Company dated 12 March 2019 constituted a cross-default event (the “Cross-default Event”). In light of the Cross-default Event, and pursuant to the terms and conditions of the Second Convertible Bonds instrument, the Second Convertible Bonds are and shall immediately become due and repayable together with accrued but unpaid interest (if any), any default interest accrued but unpaid and any other amounts due and payable under the relevant transactions documents accrued but unpaid to the date of payment.

On 26 April 2019, the Company received a notice of event of default from the First Subscriber (the “EOD Notice from the First Subscriber”) in relation to the First Convertible Bonds. Pursuant to the EOD Notice from the First Subscriber, the First Subscriber alleged, *inter alia*, the event mentioned in the announcements of the Company dated 12 March 2019 and 11 April 2019 in relation to a demand letter received by the Company on 12 March 2019 and 10 April 2019 and the announcement of the Company dated 23 April 2019 in relation to a notice of event of default received by the Company on 23 April 2019 constituted a cross-default and therefore constituted an event of default under the terms and conditions of the First Convertible Bonds instrument.

As of the date of this announcement, the outstanding principal amounts in relation to the First Convertible Bonds and the Second Convertible Bonds are US\$99,000,000 (equivalent to HK\$776,516,400) and HK\$429,197,000 respectively.

Details in relation to the issue of the First Convertible Bonds and the Second Convertible Bonds, the Amendments, the Demand Letter from the Second Subscriber, the Cross-default Event and the EOD Notice from the First Subscriber in the above paragraphs were set out in the announcements of the Company dated 6 June 2017, 15 June 2017, 24 August 2017, 12 September 2017, 28 September 2018, 18 October 2018, 9 November 2018, 15 November 2018, 13 December 2018, 11 April 2019 and 29 April 2019 and the circular of the Company dated 27 November 2018.

### **Grant and cancellation of share options**

In July 2018, the Company granted share options to eligible grantees under the share option scheme adopted by the Company on 31 August 2012 to subscribe for a total of 1,266,815,134 ordinary shares with par value of HK\$0.001 each at an exercise price of HK\$0.101 per Share. These share options were cancelled in July 2018.

In August 2018, the Company granted new share options to eligible grantees under the share option scheme adopted by the Company on 31 August 2012 to subscribe for a total of 1,266,815,134 ordinary shares with par value of HK\$0.001 each at an exercise price of HK\$0.102 per Share. As a result of the Share Consolidation became effective on 12 November 2018, the exercise price of the share options granted in August 2018 has been adjusted to HK\$1.02 per Share and the ordinary shares attributable to the share options granted on 6 August 2018 has been adjusted to 126,681,513 Shares. As at the date of this announcement, no share options were exercised.

Details in relation to the grant and cancellation of share options in the above paragraphs were set out in the announcements of the Company dated 20 July 2018, 31 July 2018 and 6 August 2018.

### **Issue of secured guaranteed convertible notes under general mandate**

In September 2018, the Company entered into a note purchase agreement with an indirect wholly-owned special purpose vehicle of CCB International (Holdings) Limited (the “Investor”) in relation to the issue of the convertible notes of the Company under general mandate for 2,111,902,494 conversion shares at conversion price of HK\$0.088 per conversion share. The convertible notes in the principal amount of HK\$185,847,419 carried interest at 7% per annum and were secured by certain shares in the capital of an indirect wholly-owned subsidiary of the Company, 7.26% equity interest of Wins Finance and certain Shares held by Mr. Zhang and personal guarantee given by Mr. Zhang (the “CCBI Convertible Notes”). As a result of the Share Consolidation became effective on 12 November 2018, the conversion price for the CCBI Convertible Notes has been adjusted to HK\$0.88 per conversion share and the conversion shares attributable to the outstanding CCBI Convertible Notes as at 31 March 2019 have been adjusted to 211,190,249 Shares.

The net proceeds from the issue of the CCBI Convertible Notes of HK\$184,847,419 have been utilised as intended for repayment of part of the principal amount of the secured guaranteed note of principal amount of US\$70,000,000 due 2020 issued by the Company to the Investor on 29 March 2018 (the “Promissory Note 2020”) in the amount equal to US\$23,826,592.

On 12 March 2019, the Company received a demand letter from the Investor (the “Demand Letter from the Investor”) in relation to the secured guaranteed note of principal amount of US\$30,000,000 due 2019 issued by the Company to the Investor on 29 March 2018 (the “Promissory Note 2019”), the Promissory Note 2020 and the CCBI Convertible Notes (collectively, the “Notes”). It is stated in the Demand Letter from the Investor that, *inter alia*, an Event of Default has occurred whereby the equity attributable to owners of the Company is less than HK\$3,500,000,000 (as determined by reference to the Company's most recently published annual or interim financial statements for the period from 1 April 2018 to 30 September 2018) resulting in a breach of covenant under the relevant condition of the respective Notes. The Investor served a statutory demand on the Company on 20 March 2019.

On 10 May 2019, the Company received a petition from the Investor (the “Petition”) 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 of aggregate sum of US\$111,629,994, being the alleged outstanding amount under the Notes issued to the Investor. The winding up petition will be heard before the High Court on 10 July 2019.

On 15 May 2019, the Company received a summons (the “Summons”) for the appointment of the joint and several provisional liquidators of the Company. The Summons indicates that it was fixed for hearing before the High Court on 3 June 2019. The hearing of the Summons has been subsequently adjourned to 18 June 2019 for substantive argument. On 18 June 2019, the Investor withdrew the Summons upon the Company’s undertakings to, among other things, appoint external monitoring accountants to review the financial status, business and proposed restructuring of the Company pending the disposal of the Petition.

On 6 June 2019, the Court of Hong Kong granted a validation order, among other things, to the Company on the transfer of the shares (the “Validation Order”). Upon the grant of the Validation Order, notwithstanding the presentation of the Petition dated 10 May 2019, unless otherwise ordered by the Court, any transfer of shares or alteration in the status of the members of the Company made on or after 10 May 2019 shall not be void by virtue of Section 182 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

As of the date of this announcement, no conversion rights attaching to the CCBI Convertible Notes were exercised and the outstanding principal amounts in relation to the Promissory Note 2019, the Promissory Note 2020 and the CCBI Convertible Notes are US\$30,000,000 (equivalent to HK\$235,476,000), US\$46,173,408 (equivalent to HK\$362,424,314) and HK\$185,847,419 respectively.

Details in relation to the issue of the CCBI Convertible Notes, Event of Default and the Petition were set out in the announcements of the Company dated 4 September 2018, 24 October 2018, 12 March 2019, 14 May 2019, 16 May 2019, 20 May 2019, 3 June 2019, 6 June 2019 and 18 June 2019.

### **Share Consolidation and Change in Board Lot Size**

In October 2018, the Company proposed to (i) implement a share consolidation on the basis that every ten issued and unissued shares of HK\$0.001 each be consolidated into one consolidated share of HK\$0.01 each (the “Share Consolidation”) conditional upon, among other things, the approval by the shareholders of the Company (the “Shareholders”) at the extraordinary general meeting of the Company and (ii) change the board lot size for trading of the Shares on the Stock Exchange from 20,000 Shares to 6,000 consolidated shares after the Share Consolidation became effective.

With the approval by the Shareholders at the extraordinary general meeting of the Company held on 9 November 2018, the Share Consolidation became effective on 12 November 2018.

Details in relation to the Share Consolidation and change the board lot size in the above paragraphs were set out in the announcements of the Company dated 9 October 2018 and 9 November 2018 and the circular of the Company dated 19 October 2018.

### **Investments in associates and a joint venture**

As at 31 March 2019, the Group held investments in associates of HK\$365 million (31 March 2018: Nil), representing (i) 36.17% shareholding interests in Imagination Holding Limited (“Imagination”) with a carrying amount of HK\$20 million, (ii) 36.17% shareholding interests in Jocasta Ventures Ltd (“Jocasta”) with a carrying amount of HK\$144 million, (iii) 15% shareholding interests in Huiyue Financial Leasing (Ningbo) Co., Ltd.\* (輝月融資租賃(寧波)有限公司) (“Huiyue”) with a carrying amount of HK\$23 million and (iv) FreeOpt Holdings Limited (“FreeOpt”) with a carrying amount of HK\$178 million.

In April 2018, the Group acquired 36.17% equity interest in Imagination for a consideration of HK\$145 million. Imagination is a company incorporated in the Republic of the Marshall Islands and an investment holding company. Its subsidiaries are principally engaged in the provision of money lending service and investment holding. Such investment was recorded as investments in associates as at 31 March 2019.

In July 2018, Imagination distributed its 36.17% equity investment in Jocasta to the Group. Jocasta is a company incorporated in the Republic of the Marshall Islands and an investment holding Company. Its subsidiary is principally engaged in the provision of money lending service. Such investment was recorded as investments in associates as at 31 March 2019.

In October 2018, Wins Finance entered into an agreement with Mercury International Financial Leasing (Tianjin) Co., Ltd.\* (辰星國際融資租賃(天津)有限公司) (“Mercury”) and Zhongtou Jinchuang (China) Financial Holding Group Co., Limited (“Zhongtou Jinchuang”) in relation to the investment in Huiyue pursuant to which Wins Finance agreed to contribute capital of Renminbi (“RMB”) 150 million (equivalent to HK\$175 million) to Huiyue in the form of cash. The registered capital of Huiyue shall be RMB1 billion, which will be contributed as to RMB600 million, RMB250 million and RMB150 million in the form of cash by Mercury, Zhongtou Jinchuang and Wins Finance, respectively. As at 31 March 2019, Wins Finance contributed HK\$23 million to Huiyue, resulting in capital commitments of HK\$152 million contracted but not provided for the capital contribution. Huiyue is a company established in the PRC in 2017 and has still been in preliminary stage. It is intended to be engaged in finance leasing business, leasing business, acquisition of assets for leasing both in the PRC and overseas, repair and disposal of leased assets. Such investment was recorded as investments in associates as at 31 March 2019. Details in relation to the investment in Huiyue were set out in the announcement of the Company dated 26 October 2018.

As at 31 March 2018, the Group had an investment in a joint venture of HK\$143 million, represented by 31.38% equity interest in FreeOpt. Such investment in a joint venture was reclassified as investments in associates in October 2018 pursuant to a termination agreement entered with other joint venture parties to cease the joint venture relationship without changing their respective shareholdings in FreeOpt. Thereafter, the Group has significant influence over FreeOpt in proportion to its voting rights in the shareholders’ meeting.

\* *for identification purpose only*

## **Other financial assets**

As at 31 March 2019, the Group recorded non-current other financial assets of HK\$1,603 million (31 March 2018: HK\$667 million), representing (i) an unlisted equity investment with 12.17% equity interest in Shengang Securities Company Limited (the “Securities Company”), a full-licensed securities company in China (Shanghai) Pilot Free Trade Zone of the Closer Economic Partnership Arrangement between Mainland China and Hong Kong of HK\$732 million (31 March 2018: HK\$631 million); (ii) an unlisted equity investment with 19.06% equity interest in an investment holding company (“Entity A”) of HK\$842 million (31 March 2018: Nil); and (iii) listed securities of The Philippine Stock Exchange, Inc. (“PSE”, whose shares are listed on The Philippine Stock Exchange, Inc., symbol: PSE) with a carrying amount of HK\$29 million (31 March 2018: HK\$36 million), representing 1.2% (31 March 2018: 1.2%) of PSE’s total issued shares.

### **(i) Securities Company**

The Securities Company is principally engaged in securities broking, securities underwriting and sponsoring, securities trading and securities asset management related businesses in China. Based on the audited financial statements of the Securities Company for the year ended 31 December 2018, the Securities Company recorded revenue of RMB197 million (equivalent to HK\$230 million) (2017: RMB327 million (equivalent to HK\$409 million)), loss for the year of RMB375 million (equivalent to HK\$439 million) (2017: profit of RMB13 million (equivalent to HK\$17 million)) and net assets of RMB4,001 million (equivalent to HK\$4,679 million) (2017: RMB3,480 million (equivalent to HK\$4,353 million)). As at the date of this announcement, the Securities Company did not have material impact on the earnings of the Group.

### **(ii) Entity A**

Entity A is a company incorporated in the British Virgin Islands with limited liability with subsidiaries principally engaged in trading of securities, provision of finance and holding of investment in financial securities industry. Based on the unaudited management accounts for the year ended 31 March 2019, Entity A recorded revenue of HK\$477 million, profit for the year of HK\$470 million and net assets of HK\$4,416 million. As at the date of this announcement, Entity A did not have material impact on the earning of the Group.

### **(iii) PSE**

PSE and its subsidiaries are principally engaged in the provision of trading, clearing, depository and information services for the equity market in the Philippines. The stock price of the listed securities of PSE as at 31 March 2019 amounted to Philippines Peso (“PHP”) 198 (equivalent to HK\$29) per share (31 March 2018: PHP238 (equivalent to HK\$36) per share). Based on the annual report of PSE for the financial year ended 31 December 2018, PSE and its subsidiaries recorded revenue of PHP1,596 million (equivalent to HK\$238 million) (2017: PHP1,226 million (equivalent to HK\$184 million)), profit for the year of PHP727 million (equivalent to HK\$108 million) (2017: PHP828 million (equivalent to HK\$125 million)) and net assets of PHP6,207 million (equivalent to HK\$924 million) (2017: PHP3,332 million (equivalent to HK\$501 million)). As at the date of this announcement, PSE did not have material impact on the earnings of the Group.

As at 31 March 2019, the Group also recorded other financial assets (classified under current assets), representing wealth management products from financial institutions in the PRC which were not yet due nor early redeemed as at the end of the reporting period of HK\$1,148 million (31 March 2018: HK\$1,833 million).

The proprietary team of the Group would continue to closely monitor the Group’s investment in other financial assets for potential dividend returns and capital appreciations to enhance values to the Shareholders.

### **Investments at fair value through profit or loss**

The Group considers trading of securities as one of its core businesses and the Group has always taken attentive approach on its future investments. The proprietary team of the Group has monitored closely the Group’s investments at fair value through profit or loss for potential dividend returns and capital appreciations to enhance values to the Shareholders.

As at 31 March 2019, the Group held investments at fair value through profit or loss of HK\$24 million (31 March 2018: HK\$409 million), representing 0.8% (31 March 2018: 8.2%) of the Group’s net assets of HK\$3,126 million (31 March 2018: HK\$5,011 million). The Group held a diversified portfolio of listed investments throughout the year. As at 31 March 2019, the Group mainly held listed securities of Pak Wing Group (Holdings) Limited (“Pak Wing”, whose shares are listed on GEM of the Stock Exchange, stock code: 8316) with a carrying value of HK\$23 million, representing 0.7% of Group’s net assets and 8.0% of Pak Wing’s total issued shares. The stock price of the listed securities of Pak Wing as at the date of purchase in June 2018 was HK\$1.28 per share and the stock price of the listed securities of Pak Wing decreased to HK\$0.36 per share as at 31 March 2019. Based on the unaudited third quarterly report of Pak Wing for the

nine months ended 31 December 2018, Pak Wing and its subsidiaries recorded revenue of HK\$71 million, net loss of HK\$9 million for the nine months ended 31 December 2018 and net liabilities of HK\$7 million at 31 December 2018. Pak Wing and its subsidiaries are principally engaged in the foundation works business as a subcontractor in Hong Kong. The Group did not hold any listed securities of Pak Wing as at 31 March 2018.

As at 31 March 2018, the Group mainly held listed securities of China All Access (Holdings) Limited (“All Access”, whose shares are listed on the main board of the Stock Exchange, stock code: 633) with a carrying value of HK\$407 million, representing 8.1% of Group’s net assets and 8.1% of All Access’s total issued shares. The stock price of the listed securities of All Access increased from HK\$2.30 per share as at 1 April 2017 to HK\$2.50 per share as at 31 March 2018. Based on the annual report of All Access for the financial year ended 31 December 2017, All Access and its subsidiaries recorded revenue of RMB2,688 million (equivalent to HK\$3,362 million), profit for the year of RMB232 million (equivalent to HK\$290 million) and net assets of RMB3,991 million (equivalent to HK\$4,992 million). All Access and its subsidiaries are principally engaged in the provision of communication application solutions and services and investment activities.

Other listed investments are individually carrying at value less than 5% of the Group’s net assets as at 31 March 2019 and 31 March 2018.

The Group recorded net unrealised loss of investments at fair value through profit or loss of HK\$60 million (2018: gain of HK\$25 million) for the year, of which included net unrealised losses of HK\$57 million and HK\$2 million (2018: Nil and gain of HK\$31 million) for investments in listed securities of Pak Wing and All Access, respectively for the year.

The Group would realise its investment in listed securities with reference to the stock market volatility and general trading sentiment. The proceeds from disposal would be applied towards expansion of the Group’s existing business lines and general working capital purposes. The Group realised its investments in listed securities with a carrying value of HK\$405 million (31 March 2018: HK\$432 million) for aggregate gross proceeds of HK\$121 million (31 March 2018: HK\$491 million), resulting net realised losses of investments at fair value through profit or loss of HK\$283 million (31 March 2018: gains of HK\$58 million) for the current year, of which included disposals of listed securities of All Access at gross proceeds of HK\$121 million and net realised losses of HK\$283 million were recorded for the year. The Group did not dispose of any listed securities of Pak Wing during the year.

## **FINANCIAL REVIEW**

The Group resulted a gross loss for the year of HK\$93 million (2018: profit of HK\$490 million). It was mainly due to the net realised losses from the sale of investments at fair value through profit or loss of HK\$283 million (2018: gains of HK\$58 million). The Group had not recorded dividend income from investments at fair value through profit or loss for the current year as compared to HK\$5 million in 2018. Interest income from provision of finance significantly decreased by 67.1% to HK\$74 million as compared to HK\$225 million in 2018 as

the collectibility of certain loans receivable were considered not probable and less interest income was recorded during the current year. Insurance brokerage income significantly increased by approximately 2 times to HK\$17 million as compared to HK\$8 million in 2018 as the insurance brokerage segment increased its customers' portfolio. There was no corporate finance advisory fee recorded for the year (2018: HK\$0.1 million) as a result of competitive market of the industry. Income from securities and futures brokerage, placing, underwriting and margin financing services was HK\$67 million, representing a decrease of 52.1% as compared to HK\$140 million in 2018, as a result of less margin financing income from customers has recorded during the year. Commission and fees from financial guarantee services, factoring interest income and finance lease interest income significantly decreased by 19.0% to HK\$51 million as compared to HK\$63 million in 2018.

The Group recorded provision for impairment loss of loans receivable of HK\$1,369 million (2018: HK\$320 million), provision for impairment loss of accounts receivable of HK\$20 million (2018: HK\$135 million) and provision for impairment loss of finance lease receivables of HK\$89 million (2018: Nil) as the Directors are of the view that the collection of certain loans receivable, accounts receivable and finance lease receivables were not probable. Such provision amounts 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 borrowers to make required repayments to the Group as at 31 March 2019. These third party borrowers are mainly individual borrowers located in the PRC. In view of the economic turmoil in the global stock markets and uncertainty of the trade frictions between the PRC and the United States of America since the second quarter of 2018, the rate of repayments from these borrowers has been severely affected. The money lending team has always focused on the credit management of the borrowers in order to minimise the credit risk. In order to mitigate the default risk and manage the operating cash flow, the Group has regularly maintained adequate internal policies in relation to making loans to borrowers and granting trading limits to margin customers, which include financial assessments of the borrowers and margin customers, regular review of ageing analysis and tight control on any overdue balances. In addition, follow-up measures including sending reminder letters to borrowers for repayments, arranging meetings with borrowers to request for immediate repayments are in place.

Out of the provision for impairment loss of loans receivable of HK\$1,369 million, (i) HK\$670 million represented the allowance provided for the estimated loss in relation to certain third party borrowers that the Group has not received their repayments on agreed schedules from such borrowers and writs of summons have been served to commence legal proceedings against such borrowers; (ii) HK\$602 million represented the allowance provided for the estimated loss in relation to certain third party borrowers that the Group has received repayments of some overdue interests and such borrowers could provide assets proof to cover their overdue balances; and (iii) HK\$97 million represented the allowance provided for the estimated loss in relation to certain third party borrowers that the Group has received full repayment of overdue interest and repayments of some overdue loan principals, and such borrowers could provide assets proof to cover their overdue balances.



The provision for impairment loss of accounts receivable of HK\$20 million represented the allowance provided for the estimated loss in relation to a third party margin customer that the Group has not received any repayments from such customer and writ of summons have been served to commence legal proceedings against such customer.

The provision for impairment loss of finance lease receivables of HK\$89 million represented the allowance provided for the estimated loss in relation to certain third party lessees that the Group has not received any repayment of the overdue finance lease receivables and the Group has commenced legal proceedings against such lessees.

Other income and gains substantially decreased to HK\$112 million for the year (2018: HK\$497 million). During 2018, there were net gains on disposal of an associate and other financial assets of HK\$115 million and HK\$267 million, respectively. No such gains were recorded in 2019 but an investment income on other financial assets of HK\$96 million (2018: HK\$80 million) was recognised in the year. The Group recorded a net unrealised loss on investments at fair value through profit or loss of HK\$60 million for the year (2018: gain on HK\$25 million). The Group shared profits of HK\$40 million from associates and a joint venture for the year (2018: HK\$161 million).

Cost saving is a continuous aim in monitoring daily operations by the Group. This year, general and administrative expenses amounted to HK\$285 million, representing an increase of 52.4% as compared to HK\$187 million in 2018 which was mainly due to an increase in staff costs and legal and professional fees. Total employee benefit expenses (excluding directors' remuneration) amounted to HK\$67 million (2018: HK\$46 million) which included an one-off equity-settled share option expense of HK\$20 million (2018: Nil) were incurred for the year. Legal and professional fees amounted to HK\$27 million (2018: HK\$12 million) were incurred for the year for Lawsuits with details as stated under the paragraphs headed "Contingent Liabilities" and for the legal proceedings against certain borrowers and margin customers with overdue balances. Finance costs increased to HK\$374 million as compared to HK\$207 million in 2018 was mainly due to additional interest expenses incurred during the year for certain convertible instruments issued and external borrowings obtained in March 2018 and current reporting period. Income tax expense decreased to HK\$3 million for the year (2018: HK\$21 million) which mainly represented the provision for the PRC tax charged on financial services business in China for the year.

Net loss attributable to Shareholders for the year was HK\$2,160 million (2018: net profit of HK\$270 million). Basic loss per share was HK\$1.38 (2018: earning per share of HK\$0.18 (as restated)) and diluted loss per share was HK\$1.38 (2018: earning per share of HK\$0.17 (as restated)).

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 March 2019, net current assets of the Group amounted to HK\$45 million (31 March 2018: HK\$5,865 million) with cash and bank balances of HK\$222 million (31 March 2018: HK\$1,302 million) and the current ratio (current assets/current liabilities) was 1.02 (31 March 2018: 7.1). The Group had secured borrowings of HK\$1,326 million (31 March 2018: HK\$1,908 million), unsecured borrowings of HK\$73 million (31 March 2018: HK\$173 million) and convertible instruments of HK\$1,348 million (31 March 2018: HK\$1,025 million). Gearing ratio, calculated on the basis of the Group's interest-bearing borrowings and convertible instruments divided by the equity attributable to owners of the Company was 111.8% (31 March 2018: 72.2%). The borrowings of the Group carried floating interest rates calculated by reference to the Hong Kong Dollar Prime Rate or lender's costs of funds were made in Hong Kong dollar and United States dollar. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollar and United States dollar. As Hong Kong dollar is pegged to United States dollar, the foreign exchange risk exposures are considered limited. The Group did not have any financial instruments used for hedging purpose.

As at 31 March 2019, the Group had capital commitments of HK\$152 million (2018: Nil) contracted but not provided for the capital contribution to an associate. The Directors have always closely monitored the amount of liquid assets on hand and banking facilities available to ensure the Group has sufficient financial resources to meet its ongoing operational requirements. The Group's assets portfolio is mainly financed by its shareholders' funds. As at 31 March 2019, the Group had shareholders' funds of HK\$2,457 million (31 March 2018: HK\$4,304 million).

### **PLEDGE OF ASSETS**

As at 31 March 2019, bank borrowings of HK\$24 million (equivalent to RMB20 million) (31 March 2018: HK\$146 million, equivalent to RMB117 million) were secured by bank deposits of HK\$23 million (31 March 2018: HK\$35 million) with a corporate guarantee given by an independent third party. HK\$702 million (equivalent to US\$90 million) (31 March 2018: HK\$702 million, equivalent to US\$90 million) of other borrowings were secured by the shares in the capital of certain wholly-owned subsidiaries of the Company, 20% (31 March 2018: 10%) equity interest of Wins Finance held by the Group, and personal guarantees given by Mr. Zhang and his spouse. Other borrowings of HK\$7 million (equivalent to RMB6 million) (31 March 2018: HK\$50 million, equivalent to RMB40 million) were secured by certain finance lease receivables with carrying amount of HK\$12 million (equivalent to RMB10 million) (31 March 2018: HK\$34 million, equivalent to RMB27 million).

As at 31 March 2019, the Notes were secured by certain shares in the capital of a wholly-owned subsidiary of the Company, 7.26% equity interest of Wins Finance held by the Group, certain shares held by Mr. Zhang and personal guarantees given by Mr. Zhang and his spouse.

As at 31 March 2019 and 31 March 2018, the First Convertible Bonds were secured by 30% equity interest of Wins Finance held by the Group. At 31 March 2018, the Second Convertible Bonds were secured by 15% (which was diluted to 12.17% as at 31 March 2019) equity interest of the Securities Company held by the Group.

## EVENTS AFTER THE REPORTING PERIOD

- (a) On 23 April 2019, the Company received a notice of event of default (the “First EOD Notice from the Lender”) from Shinny Solar Limited (the “Lender”) regarding a facility agreement dated 14 March 2017 (the “Facility Agreement”) entered into between, *inter alia*, the Company as the borrower and the Lender in relation to a US\$90,000,000 (equivalent to HK\$705,978,000) term loan facility (the “Facility”). Pursuant to the First EOD Notice from the Lender, the Lender alleged, *inter alia*, (i) a breach of change of control clause under the Facility Agreement has occurred whereby Mr. Zhang ceased to beneficially hold at least 20% of the issued voting share capital of the Company; (ii) the Cross-default Event and therefore constituted an event of default under the Facility Agreement; and (iii) an event of default has occurred whereby the consolidated total net debt exceeded 60% of the consolidated tangible net worth of the Company with reference to the Company’s most recently published interim financial statements for the six months ended 30 September 2018.

On 10 June 2019, the Company received a notice of event of default and repayment (the “Second EOD Notice from the Lender”) from the Lender regarding the Facility. Pursuant to the Second EOD Notice from the Lender, the Lender declared that all of the loan, together with accrued interest, and all other amounts accrued or outstanding under the Facility shall be immediately due and payable.

As of the date of the Second EOD Notice from the Lender, the outstanding amount payable in relation to the Facility is US\$91,640,000 (equivalent to HK\$718,842,000), including US\$90,000,000 (equivalent to HK\$705,978,000) as principal and US\$1,640,000 (equivalent to HK\$12,864,000) as accrued interest up to the date of the Second EOD Notice from the Lender.

- (b) On 20 May 2019, taking into consideration the recent financial situation of the Company, the Board adopted the restructuring strategies (the “Restructuring Strategies”) with a view to facilitating a settlement with its creditors and promoting the growth and development of the Group’s businesses. The Restructuring Strategies are subject to negotiations with the creditors of the Company and other relevant stakeholders. As at the date of this announcement, save for the MOU (as defined below), the Company has not entered into any agreement or arrangement with any party with respect to the restructuring of the debts of the Company.
- (c) On 20 May 2019, the Company and an independent third party (“Individual A”) entered into a memorandum of understanding (the “MOU”), pursuant to which, subject to entering into a formal agreement, the Company will allot and issue and Individual A and/or his designees will subscribe for the subscription shares at a consideration of not more than HK\$300,000,000, subject to the terms and conditions of the formal agreement (the “Possible Subscription”). Upon completion of the Possible Subscription, Individual A and/or his designees will hold not more than 30% of the issued share capital of the Company as enlarged by the subscription shares. As at the date of this announcement, the Company has not entered into any formal agreement with Individual A in relation to the Possible Subscription.

- (d) On 9 June 2019, the Company and another independent third party (“Individual B”) entered into an agreement (the “Agreement”), pursuant to which, subject to the fulfillment of certain conditions, the Company agreed to allot and issue and Individual B agreed to subscribe 300,000,000 new Shares at the subscription Price of HK\$0.145 per Share under general mandate (the “Subscription”). The 300,000,000 new Shares represent 19.13% of the issued share capital of the Company as at the date of the Agreement and 16.06% of the issued share capital of the Company as enlarged by the allotment and issue of the subscription shares. As at the date of this announcement, the conditions precedent set out in the Agreement have not been fulfilled.

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

## **MATERIAL ACQUISITIONS/DISPOSALS**

Details of material acquisitions/disposals during the year are set out in the section “Business Review”.

## **CAPITAL COMMITMENTS**

As at 31 March 2019, the Group had capital commitments of HK\$152 million (2018: Nil) contracted but not provided for the capital contribution to an associate.

## **CONTINGENT LIABILITIES**

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

In July 2017, the plaintiff of Lawsuit A filed notice to the U.S. District Court that Lawsuit A is voluntarily dismissed, without prejudice and without costs to any party, and the court subsequently terminate Lawsuit A. Accordingly, the directors of Wins Finance considered no further contingent liabilities would arise from Lawsuit A.

In June 2017, the court issued an order appointing lead plaintiffs and lead counsel for Lawsuit B. In August 2017, lead plaintiffs of Lawsuit B filed an amended class action complaint. The amended complaint alleged claims against Wins Finance for securities fraud purportedly arising from alleged misrepresentations concerning its principal executive offices (which alleged misrepresentations resulted in Wins Finance being added to, and then removed from, the Russell 2000 index). In October 2017, Wins Finance moved to dismiss the amended complaint for failure to state a claim as against it. In March 2018, the court issued an order to deny Wins Finance's motion to dismiss. Thus, Lawsuit B will proceed to the fact gathering stage. In June 2018, counsel for the parties appeared before the court for an initial scheduling conference and the court entered an appropriate schedule for discovery and additional motions. In July 2018, the plaintiffs filed with the Court proof of summons and amended complaint against certain individual defendants and in August 2018, such individual defendants moved to dismiss the amended complaint for failure to state a claim as against them. In September 2018, the lead plaintiffs filed a motion seeking class certification. In that motion, the lead plaintiffs have not specified the amount of alleged class-wide damages, nor have they provided any methodology for the calculation of the same. Wins Finance's opposition to that motion was due in December 2018. In October 2018, the court entered an order dismissing the action against an individual defendant without prejudice, for the lead plaintiffs' failure to timely serve such individual defendant with the summons and amended complaint.

As a result of a private mediation conducted in November 2018, Wins Finance has agreed in principle to settle the class action, on behalf of all remaining defendant parties. The Court granted preliminary approval of the settlement by order entered in March 2019, and has scheduled a final settlement approval hearing in November 2019.

- (b) The first hearing of the Petition is scheduled to be heard on 10 July 2019. At this stage, there is no information to suggest and hence may be premature for the Group to predict the outcome of this hearing as well as the potential loss (if any) that may be caused.

Save as disclosed elsewhere in this announcement, the Group had no other material contingent liabilities as at 31 March 2019 and 2018.

## **EMPLOYEES' REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME**

As at 31 March 2019, the Group employed 117 staff members including directors of the Company (2018: 128 staff). Staff costs incurred for the year, including directors' remuneration, were HK\$129 million (2018: HK\$52 million). It was the remuneration policy of the Group to reward its employees with reference to their qualifications, experience and work performance as well as market benchmarks. Remuneration packages, include granting of share options, were structured to motivate individual performance and contributions to the Group. The Company has adopted a share option scheme and the Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for its employees.

## **PROSPECTS**

In view of the recent economic turmoil in the global stock markets and uncertainty of the trade frictions between the PRC and the United States of America during the year, the general economic conditions are expected to be challenging and uncertain. The Group will continue to (i) implement solid approach for collections of loans and accounts receivables and maintain attentive but sensible approach towards new investment opportunities in the financial services industry in order to enhance values to the Shareholders; and (ii) work closely with all creditors, including bondholders, and other stakeholders to take appropriate measures to improve the liability and solvency position of the Group as well as to achieve the best possible consensual restructuring for all interested parties.

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

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

## **AUDIT COMMITTEE**

The Company has an Audit Committee which comprises four Independent Non-executive Directors. The Audit Committee has reviewed with the management of the Company the internal control, financial reporting and auditing matters of the Group, including the consolidated financial statements of the Group for the year ended 31 March 2019.

## **REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2019 as set out in the preliminary announcement have been agreed by the Company's auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 March 2019. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on the preliminary announcement.

## **CORPORATE GOVERNANCE PRACTICES**

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

Code Provision A.6.7 – (i) One Independent Non-executive Director was unable to attend the annual general meeting of the Company held on 5 September 2018; (ii) two Independent Non-executive Directors were unable to attend the extraordinary general meeting of the Company held on 9 November 2018; and (iii) three Independent Non-executive Directors were unable to attend the extraordinary general meeting of the Company held on 13 December 2018, as they had other engagements.

## **DIRECTORS' SECURITIES TRANSACTIONS**

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

## **PUBLICATION OF FINANCIAL INFORMATION**

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

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

Hong Kong, 28 June 2019

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

***Executive Directors:***

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

***Independent Non-executive Directors:***

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