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FREEMAN FINTECH CORPORATION LIMITED
民眾金融科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 279)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

INTERIM RESULTS

The Board of Directors (the "Board") of Freeman FinTech Corporation Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2019 together with the unaudited comparative figures for 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2019

		For the six months ended 30 September	
	Notes	**2019**	2018
		(Unaudited)	(Unaudited)
		HK$'000	*HK$'000*
REVENUE	*3*	**71,986**	(151,514)
Cost of sales		**(13,122)**	(12,176)
Gross profit/(loss)		**58,864**	(163,690)
Other income and gains	*3*	**7,331**	60,626
Fair value losses on investments at fair value through profit or loss		**(9,809)**	(22,106)
Fair value loss on other financial assets	*10*	**(766,936)**	–
General and administrative expenses		**(66,333)**	(171,247)

	Notes	For the six months ended 30 September **2019** **(Unaudited)** ***HK$'000***	2018 (Unaudited) *HK$'000*
Provision for impairment loss of loans receivable, net	*11*	**(253,376)**	(1,202,060)
Reversal of provision/(provision) for impairment loss of factoring receivables	*13*	**(243,231)**	103
Provision for impairment loss of accounts receivable, net	*14*	**(81)**	(37,923)
Impairment loss of goodwill	*9*	**(79,825)**	–
Other expenses, net		**(67,048)**	(27,711)
Finance costs	*4*	**(385,865)**	(171,344)
Share of profits and losses of associates and a joint venture, net		**(29,484)**	8
LOSS BEFORE TAX	*5*	**(1,835,793)**	(1,735,344)
Income tax expense	*6*	**(1,945)**	(4,173)
LOSS FOR THE PERIOD		**(1,837,738)**	(1,739,517)
Attributable to:			
Owners of the Company		**(1,592,305)**	(1,758,247)
Non-controlling interests		**(245,433)**	18,730
		(1,837,738)	(1,739,517)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*7*		
Basic		**(HK$0.96)**	(HK$1.12)
Diluted		**(HK$0.96)**	(HK$1.12)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
LOSS FOR THE PERIOD	**(1,837,738)**	(1,739,517)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(165,643)**	(231,880)
Share of other comprehensive income of associates, net	**33,462**	15,545
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Equity investments at fair value through other comprehensive income – net movement in investment revaluation reserve (non-recycling)	**(198,053)**	333,109
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**(330,234)**	116,774
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(2,167,972)**	(1,622,743)
Attributable to:		
Owners of the Company	**(1,876,639)**	(1,578,302)
Non-controlling interests	**(291,333)**	(44,441)
	(2,167,972)	(1,622,743)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Notes	**30 September 2019 (Unaudited) *HK$'000***	31 March 2019 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**22,309**	6,133
Goodwill	*9*	**580,849**	660,674
Investments in associates		**367,609**	365,061
Intangible assets		**17,145**	17,145
Other financial assets	*10*	**1,404,894**	1,602,947
Finance lease receivables	*12*	**317,585**	480,063
Prepayments and deposits		**6,054**	10,220
Total non-current assets		**2,716,445**	3,142,243
CURRENT ASSETS			
Other financial assets	*10*	**345,196**	1,148,314
Loans receivable	*11*	**175,190**	446,555
Factoring receivables	*13*	**44,837**	308,525
Finance lease receivables	*12*	**459,237**	383,263
Prepayments, deposits and other receivables		**58,545**	173,661
Accounts receivable	*14*	**76,565**	73,767
Investments at fair value through profit or loss		**13,722**	23,531
Restricted bank deposits		**120,841**	157,312
Cash and bank balances		**225,984**	222,143
Total current assets		**1,520,117**	2,937,071
CURRENT LIABILITIES			
Accounts payable	*15*	**6,603**	17,608
Other payables and accruals		**401,130**	159,576
Interest-bearing borrowings	*16*	**2,543,772**	1,340,756
Convertible instruments	*17*	**207,745**	1,347,922
Lease liabilities		**11,527**	–
Tax payable		**24,659**	25,719
Total current liabilities		**3,195,436**	2,891,581
Net current assets/(liabilities)		**(1,675,319)**	45,490
Total assets less current liabilities		**1,041,126**	3,187,733

	Note	30 September 2019 (Unaudited) HK$'000	31 March 2019 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	*16*	**30,000**	58,000
Lease liabilities		**7,161**	–
Deferred tax liabilities		**3,391**	3,442
Total non-current liabilities		**40,552**	61,442
NET ASSETS		**1,000,574**	3,126,291
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**18,682**	15,682
Reserves		**603,644**	2,441,028
		622,326	2,456,710
Non-controlling interests		**378,248**	669,581
TOTAL EQUITY		**1,000,574**	3,126,291

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1.1 BASIS OF PREPARATION

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

The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 March 2019.

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2019, except for the accounting policy changes that are expected to be reflected in the annual consolidated financial statements for the year ending 31 March 2020. Details of any changes in accounting policies are set out in note 1.2.

As at 30 September 2019, the Group had net current liabilities of approximately HK$1,675,319,000 (31 March 2019: net current assets of approximately HK$45,490,000).

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. 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 this announcement, the implementations of these measures are still in progress. The validity of the going concern assumption on which the condensed consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the measures taken by the directors of the Company as described above. The condensed consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and, therefore, do not include any adjustments relating to the realisation and 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 condensed consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

1.2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new Hong Kong Financial Reporting Standards ("HKFRSs") and a number of 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 condensed consolidated financial statements:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards have no material impact to the preparation of the Group's interim condensed consolidated financial statements. The nature and impact of the new and revised HKFRSs are described below:

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application at 1 April 2019. Under this method, the standard is applied retrospectively with cumulative effect on initial adoption as an adjustment to the opening balance of equity at 1 April 2019 and the comparative information was not restated and continues to be reported under HKAS 17.

New definition of lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g. property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payment, discounted using the incremental borrowing rate at 1 April 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluded the initial direct costs from the measurement of the right of use asset at date of initial application

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	(Unaudited) *HK$'000*
Assets	
Increase in property, plant and equipment and total assets	22,853
Liabilities	
Increase in lease liabilities and total liabilities	24,098
Increase in accumulated losses	1,245

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	(Unaudited) *HK$'000*
Operating lease commitments as at 31 March 2019 (audited)	32,296
Less: Commitments relating to leases exempt from capitalisation:	
– Short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(3,387)
Operating lease liabilities before discounting	28,909
Weighted average incremental borrowing rate as at 1 April 2019	12.91%
Discounted operating lease commitments and lease liabilities as at 1 April 2019	24,098

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

2. OPERATING SEGMENT INFORMATION

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

(a) securities and futures brokerage, placing, underwriting and margin financing segment engages in the provision of securities and futures brokerage, placing, underwriting and margin financing services;

(b) factoring, financial guarantee and finance leasing segment engages in the provision of factoring, financial guarantee and finance leasing services and related activities;

(c) insurance brokerage business segment engages in insurance brokerage business and the provision of financial planning and related services;

(d) provision of finance segment engages in the provision of financing services in Hong Kong;

(e) trading of securities and futures segment engages in the purchase and sale of securities and futures investments;

(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 loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that bank and other interest income (excluding interest income from the provision of finance, margin financing, factoring 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 six months ended 30 September 2019 and 2018 for the purposes of resource allocation and performance assessment.

For the six months ended 30 September 2019

	Securities and futures brokerage, placing, underwriting and margin financing (Unaudited) *HK$'000*	Factoring, financial guarantee and finance leasing (Unaudited) *HK$'000*	Insurance brokerage business (Unaudited) *HK$'000*	Provision of finance (Unaudited) *HK$'000*	Trading of securities and futures (Unaudited) *HK$'000*	Investment holding (Unaudited) *HK$'000*	Corporate finance advisory (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue:								
Sales to external customers	**24,553**	**28,366**	**4,089**	**15,011**	**(33)**	**–**	**–**	**71,986**
Intersegment sales	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	24,553	**28,366**	**4,089**	**15,011**	**(33)**	**–**	**–**	**71,986**
Reconciliation:								
Elimination of intersegment sales								**–**
Total revenue								**71,986**
Segment results:	**(4,786)**	**(1,008,229)**	**523**	**(238,527)**	**(37,986)**	**(52,643)**	**(1)**	**(1,341,649)**
Reconciliation:								
Bank interest income								**362**
Other interest income								**46**
Investment income on other financial assets								**4,034**
Corporate and other unallocated expenses								**(112,721)**
Finance costs								**(385,865)**
Loss before tax								**(1,835,793)**

For the six months ended 30 September 2018

	Securities and futures brokerage, placing, underwriting and margin financing (Unaudited) *HK$'000*	Factoring, financial guarantee and finance leasing (Unaudited) *HK$'000*	Insurance brokerage business (Unaudited) *HK$'000*	Provision of finance (Unaudited) *HK$'000*	Trading of securities and futures (Unaudited) *HK$'000*	Investment holding (Unaudited) *HK$'000*	Corporate finance advisory (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue:								
Sales to external customers	50,035	41,838	12,745	27,263	(283,395)	–	–	(151,514)
Intersegment sales	–	–	–	–	–	–	–	–
	50,035	41,838	12,745	27,263	(283,395)	–	–	(151,514)
Reconciliation:								
Elimination of intersegment sales								–
Total revenue								(151,514)
Segment results:	(24,456)	10,175	(2,998)	(1,178,441)	(306,018)	(79,271)	(30)	(1,581,039)
Reconciliation:								
Bank interest income								330
Other interest income								18
Investment income on other financial assets								52,844
Corporate and other unallocated expenses								(36,153)
Finance costs								(171,344)
Loss before tax								(1,735,344)

Geographical information

(a) Revenue from external customers

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong	**43,620**	(193,352)
The People's Republic of China (the "PRC")	**28,366**	41,838
Total	**71,986**	(151,514)

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

(b) Non-current assets

	30 September	31 March
	2019	2019
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Hong Kong	**391,404**	375,378
The PRC	**602,562**	683,855
Total	**993,966**	1,059,233

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

3. REVENUE, OTHER INCOME AND GAINS

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

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

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Commission and brokerage income from securities and futures dealings	**22,544**	24,116
Commission from placing and underwriting services	**1,126**	687
Interest income on margin financing activities	**883**	25,232
Commissions and fees from financial guarantee services	**2,880**	6,241
Finance lease interest income	**24,579**	30,535
Factoring interest income	**907**	5,062
Insurance brokerage income	**4,089**	12,745
Interest income from provision of finance	**15,011**	27,263
Losses from the sale of investments at fair value through profit or loss, net *(note)*	**(33)**	(283,395)
	71,986	(151,514)
Other income and gains		
Bank interest income	**362**	330
Other interest income	**46**	18
Investment income on other financial assets	**4,034**	52,844
Foreign exchange differences, net	**–**	463
Others	**2,889**	6,971
	7,331	60,626

Note:

There is no proceeds from sale of investments at fair value through profit or loss for the six months ended 30 September 2019 (six months ended 30 September 2018: HK$121,403,000).

4. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interests on borrowings	**275,979**	67,791
Interests on convertible instruments	**97,363**	93,929
Interest on lease liabilities	**1,556**	–
Other finance costs	**10,967**	9,624
	385,865	171,344

5. LOSS BEFORE TAX

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

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Employee benefit expenses (excluding directors' remuneration):		
Salaries and allowances	**20,295**	22,150
Retirement benefit scheme contributions (defined contribution scheme)	**531**	570
Equity-settled share option expense	**–**	20,348
	20,826	43,068
Depreciation	**6,825**	2,324
Equity-settled share option expense *(note a)*	**–**	74,268
Minimum lease payments under operating leases *(note b)*	**1,315**	18,232
Provision for impairment loss of loans receivable, net *(note 11)*	**253,376**	1,202,060
Provision for impairment loss of finance lease receivables *(note c) (note 12)*	**21,255**	22,353
Provision/(reversal of provision) for impairment loss of factoring receivables *(note 13)*	**243,231**	(103)
Provision for impairment loss of accounts receivable, net *(note 14)*	**81**	37,923
Provision for impairment loss of prepayments and other receivables *(note c)*	**45,793**	–
Impairment loss of goodwill *(note 9)*	**79,825**	–
Write-off of accounts receivable *(note c) (note 14)*	**–**	5,358
Fair value loss on other financial assets *(note 10(c))*	**766,936**	–

Notes:

(a) Amount included approximately HK$20,348,000 classified as employee benefit expenses and approximately HK$45,296,000 classified as directors' remuneration during the six months ended 30 September 2018.

(b) The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach and comparative information is not restated (note 1.2). During the six months ended 30 September 2019, expenses relating to short-term leases and leases of low-value assets not included in the measurement of lease liabilities are recorded in profit or loss as incurred.

(c) These items are included in "Other expenses, net" in the condensed consolidated statement of profit or loss.

6. INCOME TAX EXPENSE

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

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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2019 and 2018.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Interpretation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the six months ended 30 September 2019 and 2018.

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current		
Charge for the period		
– Hong Kong	**–**	911
– the PRC	**1,996**	3,341
Deferred	**(51)**	(79)
Total tax expense for the period	**1,945**	4,173

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

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss for the period attributable to ordinary equity holders of the Company of HK$1,592,305,000 (six months ended 30 September 2018: HK$1,758,247,000), and the weighted average number of ordinary shares of 1,661,618,811 (six months ended 30 September 2018: 1,567,815,008), calculated as follows:

	For the six months ended 30 September	
	2019	2018
	Number of shares	Number of shares
	(Unaudited)	(Unaudited)
Number of shares		
Issued ordinary shares at 1 April	**1,568,176,188**	15,663,401,881
Effect of conversion of the convertible bonds issued in September 2017	**–**	14,748,197
Effect of issue of new shares	**93,442,623**	–
Effect of share consolidation subsequent to the end of the reporting period	**–**	(14,110,335,070)
Weighted average number of ordinary shares at 30 September	**1,661,618,811**	1,567,815,008

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss for the period attributable to ordinary equity holders of the Company of HK$1,592,305,000 (six months ended 30 September 2018: HK$1,758,247,000), and the weighted average number of ordinary shares of 1,661,618,811 (six months ended 30 September 2018: 1,567,815,008).

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 September 2019 and 2018 in respect of a dilution as the calculation of diluted loss per share for the six months ended 30 September 2019 and 2018 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 Company had no dilutive potential ordinary shares in issue during the six months ended 30 September 2019 and 2018.

8. INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

9. GOODWILL

	30 September 2019 (Unaudited) ***HK$'000***	31 March 2019 (Audited) *HK$'000*
Carrying amount		
At beginning of period/year	**660,674**	660,674
Less: Impairment loss for the period	**(79,825)**	–
At end of period/year	**580,849**	660,674

Goodwill brought forward for both periods were allocated to the cash generating units of (i) financial guarantee and finance leasing business in the PRC ("CGU A") with carrying amount of approximately HK$659,169,000 and (ii) insurance and securities brokerage business in Hong Kong ("CGU B") with carrying amount of approximately HK$1,505,000. During the six months ended 30 September 2019, an impairment loss of approximately HK$79,825,000 (31 March 2019: Nil) in relation to CGU A has been recognised as its recoverable amount was lower than its carrying amount based on the impairment test performed by an independent qualified professional valuer.

10. OTHER FINANCIAL ASSETS

	30 September 2019 (Unaudited) ***HK$'000***	31 March 2019 (Audited) *HK$'000*
Non-current:		
Investments at fair value through other comprehensive income (non-recycling)		
– Unlisted equity investment in the PRC *(note a)*	**686,168**	731,731
– Other unlisted equity investment *(note b)*	**691,571**	841,762
– Listed equity investment in the Philippines	**27,155**	29,454
	1,404,894	1,602,947
Current:		
Investments carried at fair value through profit or loss		
– Unlisted wealth management products *(note c)*	**345,196**	1,148,314

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.

(c) Balance represented the fair value of 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. One of the wealth management products held by a subsidiary of Wins Finance Holdings Inc. ("Wins Finance"), an indirect non-wholly owned subsidiary of the Company and whose shares are listed on The NASDAQ Stock Market LLC, with an outstanding principal amount of RMB740,000,000 (equivalent to HK$812,424,000) as at 30 September 2019 was due to mature on 23 October 2019, however, an outstanding principal amount of RMB580,000,000 (equivalent to HK$636,765,000) has not been redeemed and no investment portfolio has been returned by the relevant financial institutions. The Company has set up an investigation committee and engaged an external independent law firm in the PRC with Wins Finance to assist in such investigation. Based on the investigation report dated 9 January 2020, it was discovered that the asset manager and certain other parties had executed some additional documents in respect of the investment of RMB750,000,000 in other investments. Wins Finance was not a party to these additional documents and was not aware of these additional documents previously. The Company is taking legal advice as to how to proceed with a view to maximising the interests of the Company and its shareholders. The Company reserves its right to and will exhaust all possible remedies in order to seek for compensation for the loss under the investment including without limitation the institution of legal proceedings against the relevant parties. As the recoverability of the outstanding principal amount and related interest receivable is highly uncertain, a fair value loss of HK$766,936,000 has been recorded for the six months ended 30 September 2019.

Details in relation to the results of the investigation were set out in the announcement of the Company dated 9 January 2020.

11. LOANS RECEIVABLE

	30 September 2019 (Unaudited) *HK$'000*	31 March 2019 (Audited) *HK$'000*
Loans receivable	**2,097,961**	2,141,615
Less: Provision for impairment loss	**(1,922,771)**	(1,695,060)
	175,190	446,555

Loans receivable represented receivables arising from the provision of finance business of the Group, and bear interest at 8.5% per annum (31 March 2019: rates ranging from 8% to 18% per annum).

All of the loans receivable as at 30 September 2019 and 31 March 2019 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:

	30 September 2019	31 March 2019
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 90 days	**1,144**	10,638
Between 91 to 180 days	**1,253**	3,562
Between 181 days to one year	**14,244**	794,687
Over one year	**2,081,320**	1,332,728
	2,097,961	2,141,615

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

	30 September 2019	31 March 2019
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
At beginning of period/year	**1,695,060**	320,000
Effect arising from adoption of HKFRS 9	**–**	6,334
	1,695,060	326,334
Provision for impairment loss	**253,376**	1,427,502
Reversal of provision for impairment loss	**–**	(58,776)
Write-off of provision for impairment loss	**(25,665)**	–
At end of period/year	**1,922,771**	1,695,060

12. FINANCE LEASE RECEIVABLES

	Minimum lease payments receivable		Present value of minimum lease payments receivable	
	30 September 2019 (Unaudited)	31 March 2019 (Audited)	**30 September 2019 (Unaudited)**	31 March 2019 (Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance lease receivables comprise:				
Within one year	**595,567**	531,948	**568,773**	461,560
In more than one year but not more than five years	**335,495**	524,442	**321,250**	493,712
	931,062	1,056,390	**890,023**	955,272
Less: Unearned finance lease income	**(41,039)**	(101,118)	**–**	–
	890,023	955,272	**890,023**	955,272
Less: Provision for impairment loss	**(113,201)**	(91,946)	**(113,201)**	(91,946)
Present value of minimum lease payments receivable	**776,822**	863,326	**776,822**	863,326
Analysed as:				
Current assets			**459,237**	383,263
Non-current assets			**317,585**	480,063
			776,822	863,326

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

	30 September 2019 (Unaudited)	31 March 2019 (Audited)
	HK$'000	*HK$'000*
At beginning of period/year	**91,946**	–
Effect arising from adoption of HKFRS 9	**–**	2,748
	91,946	2,748
Provision for impairment loss	**21,255**	89,198
At end of period/year	**113,201**	91,946

13. FACTORING RECEIVABLES

	30 September 2019 (Unaudited) ***HK$'000***	31 March 2019 (Audited) *HK$'000*
Factoring receivables	**289,618**	310,075
Less: Provision for impairment loss	**(244,781)**	(1,550)
	44,837	308,525

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:

	30 September 2019 (Unaudited) ***HK$'000***	31 March 2019 (Audited) *HK$'000*
Within 90 days	**–**	24,989
Between 91 to 180 days	**–**	–
Between 181 days to one year	**–**	193,877
Over one year	**289,618**	91,209
	289,618	310,075

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

	30 September 2019 (Unaudited) ***HK$'000***	31 March 2019 (Audited) *HK$'000*
At beginning of period/year	**1,550**	–
Effect arising from adoption of HKFRS 9	**–**	1,618
	1,550	1,618
Provision for impairment loss	**243,231**	–
Reversal of provision for impairment loss	**–**	(68)
At end of period/year	**244,781**	1,550

14. ACCOUNTS RECEIVABLE

	30 September 2019 (Unaudited) *HK$'000*	31 March 2019 (Audited) *HK$'000*
Accounts receivable arising from the ordinary course of business of:		
– Dealing in securities:		
Margin clients	**195,251**	183,684
Clearing houses	**6,201**	19,047
– Insurance brokerage business	**–**	530
– Futures brokerage business	**4,785**	4,738
– Financial guarantee business	**28,382**	23,741
	234,619	231,740
Less: Provision for impairment loss	**(158,054)**	(157,973)
	76,565	73,767

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

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

	30 September 2019 (Unaudited) *HK$'000*	31 March 2019 (Audited) *HK$'000*
Within 90 days or on demand	**234,619**	231,730
Between 91 to 180 days	**–**	10
	234,619	231,740

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

	30 September 2019 (Unaudited)	31 March 2019 (Audited)
	HK$'000	*HK$'000*
At beginning of period/year	**157,973**	135,417
Effect arising from adoption of HKFRS 9	**–**	2,441
	157,973	137,858
Provision for impairment loss	**81**	22,284
Reversal of provision for impairment loss	**–**	(2,169)
At end of period/year	**158,054**	157,973

15. ACCOUNTS PAYABLE

The balances as at 30 September 2019, based on the trade date, were all aged within 30 days (31 March 2019: 90 days).

16. INTEREST-BEARING BORROWINGS

	30 September 2019 (Unaudited)	31 March 2019 (Audited)
	HK$'000	*HK$'000*
Non-current:		
Bank borrowings, unsecured	**–**	28,000
Other borrowings, unsecured	**30,000**	30,000
Total non-current borrowings	**30,000**	58,000
Current:		
Bank borrowings, secured	**2,554**	23,813
Bank borrowings, unsecured	**–**	15,000
Other borrowings, secured	**2,498,218**	1,301,943
Other borrowings, unsecured	**43,000**	–
Total current borrowings	**2,543,772**	1,340,756
Total borrowings	**2,573,772**	1,398,756

17. CONVERTIBLE INSTRUMENTS

Certain convertible instruments with carrying values of US$99,000,000 (equivalent to approximately HK$772,200,000) and HK$429,197,000 were classified as other secured borrowings under current liabilities upon expiry of the conversion options during the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The directors of Freeman FinTech Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") do not recommend the payment of an interim dividend for the six months ended 30 September 2019 (30 September 2018: Nil).

BUSINESS REVIEW

BUSINESS OVERVIEW

The Company is a limited liability company incorporated in the Cayman Islands with its principal place of business in Hong Kong. The Group is positioned as an innovative financial service platform, aiming to provide comprehensive financial services to clients.

During the six months ended 30 September 2019 (the "Period"), the Group was principally engaged in (i) the provision of securities and futures brokerage services, placing, underwriting and margin financing services; (ii) the provision of factoring, financial guarantee and finance leasing services; (iii) the provision of insurance brokerage and financial planning services; (iv) the provision of financing services; (v) trading of securities and futures investments; (vi) investment holding; and (vii) the provision of corporate finance advisory services.

MARKET REVIEW

During the Period, against the backdrop of unresolved trade tension between the United States of America (the "US") and the People's Republic of China (the "PRC" or "China") and political frictions in Brexit (the withdrawal of the United Kingdom from the European Union), as well as a slowdown in the growth of China's economy, the visibility of global outlook remained unclear, and the financial markets were volatile. The Hong Kong financial market has been especially challenging facing factors such as continuous social incidents in Hong Kong and the intensification of US-China trade tension, both of which significantly deteriorated the sentiment of the local financial markets. Despite the continuous release of liquidity from the PRC Central Government, the Hang Seng Index has dropped by more than 10% during the Period.

BUSINESS REVIEW

OVERALL OPERATIONAL RESULTS

During the Period, the Group recorded a revenue of HK$72 million (corresponding period in 2018: negative revenue of HK$152 million). The consolidated net loss of the Group for the Period was HK$1,838 million (30 September 2018: HK$1,740 million), representing an increase in loss of 5.6% as compared to the corresponding period in 2018. The consolidated net assets of the Group decreased from HK$3,126 million as at 31 March 2019 to HK$1,001 million as at 30 September 2019. The consolidated net loss was mainly attributable to (i) the provision for impairment loss of loans receivable of HK$253 million as a result of extremely challenging market conditions that affect the repayments from the borrowers; (ii) finance costs of HK$386 million as a result of accrual of additional finance costs subsequent to the alleged events of defaults and cross defaults in relation to the Company's loans facilities and convertible debt instruments since the first half of 2019; (iii) the provision for impairment loss of factoring receivables of HK$243 million as a result of increased credit risks due to the extremely challenging market conditions; (iv) fair value loss on other financial assets of HK$767 million as the recoverability of the outstanding principal amount of a wealth management product and its related interest receivable is considered highly uncertain; and (v) impairment loss recognised on goodwill of HK$80 million.

Net loss attributable to the shareholders of the Company (the "Shareholders") for the Period was HK$1,592 million (corresponding period in 2018: HK$1,758 million). Basic and diluted loss per share was HK$0.96 (30 September 2018: HK$1.12).

MAJOR BUSINESS SEGMENTS

During the Period, the Group recorded a revenue of HK$72 million (corresponding period in 2018: negative revenue of HK$152 million) as there was minimal net loss from the sale of investments at fair value through profit or loss ("FVTPL") during the Period as compared to a net loss from the sales of investments at FVTPL of HK$283 million in the corresponding period in 2018. Revenue from other business segments also experienced shrinkage during the Period due to the extremely challenging market conditions. A summary of revenue from different business segments of the Group is set out below:

(i) The provision of securities and futures brokerage, placing, underwriting and margin financing services

Brokerage

The Group currently provides a diverse range of product offerings in its brokerage services for securities, futures and options traded on exchanges in Hong Kong, Mainland China (via Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect) and across major overseas stock markets including the US. In addition to brokerage services via telephone, the Group offers web-based and mobile stocks and futures trading platforms that enable real-time transactions and investment portfolio monitoring.

During the Period, revenue from the brokerage segment decreased by 4.2% to HK$23 million from HK$24 million for the corresponding period in 2018, mainly attributable to a decrease in brokerage revenue from trading of securities due to the unsteady financial markets, but this was partially offset by an increase in the brokerage revenue from trading of futures. In view of the stagnant spot market for brokerage business, the Group has been focusing on developing its institutional and retail futures brokerage business. The Group launched an in-house developed mobile app Freeman AIBS Trader*(民眾期貨王) in February 2019 providing an easy and accessible interface for retail and professional investors to trade futures on the go. During the Period, the total number of futures traded was 9.1 million contracts (corresponding period in 2018: 4.2 million contracts). In particular, the Group recorded a huge surge in the trading of Hong Kong index futures totalled 6.7 million contracts (corresponding period in 2018: 2.2 million contracts) and a significant increase in overseas futures (primarily through Chicago Mercantile Exchange and Eurex Exchange) totalled 2.4 million contracts (corresponding period in 2018: 2.0 million contracts). The Group regards itself as one of the major brokerages in the Hong Kong futures market and will continue to introduce different innovative products and services in support of further growth.

Placing and underwriting

With an experienced team of professionals, the Group offers placing and underwriting services to various Hong Kong and overseas listed companies and initial public offering ("IPO") related transactions.

During the Period, the Group participated in a number of secondary market financing projects. Revenue from the placing and underwriting segment was HK$1 million (corresponding period in 2018: HK$0.7 million).

* *for identification purpose only*

Margin financing

The Group offers margin and IPO financing to customers. During the Period, the revenue from the Group's interest income on margin financing decreased by 96% to HK$1 million as compared to HK$25 million for the same period in 2018. The decrease was due to a contracted loan book size due to a prudent approach adopted by the management in view of increasing market risks of the local stock market as well as the financial position of the Group.

(ii) The provision of factoring, financial guarantee and finance leasing services

For factoring services, the Group provides trade finance services to Chinese small and medium enterprises ("SME(s)") in the form of transfer of receivables, management of collection and payment of accounts receivable, sales account management and relating consulting services.

For financial guarantee business, the Group facilitates SMEs financing opportunities by acting as a guarantor to secure credit facilities from lending banks and other financial institutions. The Group believes its guarantee services enable SME customers to obtain financing from banks on better terms, more conveniently, easily and quickly than in the absence of such guarantees.

For finance leasing services, the Group focuses on providing financing to the under-served market of established and qualified SME organisations in China through equipment leasing and equipment-purchase-lease-back services.

During the Period, commission and fees from financial guarantee services, factoring interest income and finance lease interest income decreased by 33.3% to HK$28 million as compared to HK$42 million for the corresponding period in 2018. The decrease is mainly due to (i) reduced lending activities due to the persistently depressed economy in Shanxi Province, where most of our existing clients are located for our financial guarantee services; and (ii) the worsening of China's economy and strict macro-control over the financial policy which leading to fewer financing opportunities for our main customers.

(iii) The provision of insurance brokerage and financial planning services

The Group holds licenses from the Professional Insurance Brokers Association to market and sell general and long-term insurance products to corporations and individuals.

During the Period, revenue from insurance brokerage decreased significantly by 69.2% to HK$4 million from HK$13 million for the corresponding period in 2018, mainly due to a sharp drop in demand of Hong Kong insurance products from PRC individuals as a result of deteriorating market conditions and heightened social tension in Hong Kong on top of a more competitive landscape for the insurance brokerage industry. The efforts in sales of higher margin insurance products has compensated decline in business volume, therefore, the gross profit for the segment had recorded a moderate increase during the Period.

(iv) The provision of financing services

The segment derives revenue in the form of interest income primarily through providing short-term unsecured loans to individual borrowers residing mainly in the Mainland China and Hong Kong.

During the Period, this business segment recorded revenue of HK$15 million, representing 44.4% decrease from HK$27 million for the corresponding period in 2018. The decrease was primarily attributed to the decrease in outstanding loan amount as a result of the management's decision to cease providing new loans, given the significant recoverability uncertainties of the existing loan portfolio in recent reporting periods and generally deteriorating market conditions. The focus of the segment during the Period was recovery of loans receivable including initiating legal proceedings against defaulting borrowers and engaging in active negotiations with other borrowers.

(v) Trading of securities and futures investments

During the Period, this business segment recorded a minimal net loss from the sales of investments at FVTPL of HK$33,000, representing a substantial decrease in loss from this segment revenue from HK$283 million for the corresponding period in 2018. The decrease was primarily attributed to an extremely prudent approach adopted by the management in response to the conditions of the market. During the Period, the Group temporarily suspended substantially all of the securities trading activities in the proprietary account. The Group had not recorded dividend income from investments at FVTPL for the Period (corresponding period in 2018: Nil). As at 30 September 2019, the Group held HK$14 million securities trading portfolio mainly represented by Pak Wing Group (Holdings) Limited ("Pak Wing", whose shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), stock code: 8316). Pak Wing and its subsidiaries are principally engaged in the foundation business as a foundation subcontractor in Hong Kong.

(vi) Investment holding

The Group through its subsidiaries engages in the holding of listed and unlisted investments for continuing strategic or long-term purposes primarily for dividend income and capital appreciation.

A summary of such investments of the Group is listed below:

(a) Shengang Securities Company Limited ("Securities Company")

The Group currently holds 12.17% of equity interest in Securities Company, a full-licensed securities company in China (Shanghai) Pilot Free Trade Zone of the Closer Economic Partnership Agreement between Mainland China and Hong Kong. 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 unaudited management accounts of Securities Company for the nine months ended 30 September 2019, Securities Company recorded revenue of Renminbi ("RMB") 583 million (equivalent to HK$666 million), profit for the period of RMB134 million (equivalent to approximately HK$153 million), total assets of RMB10,204 million (equivalent to HK$11,203 million) and net assets of RMB4,135 million (equivalent to HK$4,540 million).

Based on the audited financial statements of Securities Company for the financial year ended 31 December 2018, Securities Company recorded revenue of RMB197 million (equivalent to HK$230 million), loss for the year of RMB375 million (equivalent to HK$439 million), total assets of RMB7,129 million (equivalent to HK$8,337 million) and net assets of RMB4,001 million (equivalent to HK$4,679 million). As at the date of this announcement, Securities Company did not have material impact on the earnings of the Group.

(b) 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 investments in financial services industry. Based on the unaudited management accounts for the nine months ended 30 September 2019, Entity A recorded revenue of HK$30 million, loss for the period of HK$167 million, total assets of HK$4,831 million and net assets of HK$3,628 million. As at the date of this announcement, Entity A did not have material impact on the earnings of the Group.

(c) The Philippine Stock Exchange, Inc. ("PSE")

PSE (whose shares are listed on the Philippine Stock Exchange, Inc., symbol: 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 30 September 2019 amounted to Philippines Peso ("PHP") 179.6 (equivalent to HK$27) (31 March 2019: PHP198.0, equivalent to HK$29) per share. Based on the third quarterly report of PSE for the nine months ended 30 September 2019, PSE and its subsidiaries recorded revenue of PHP909 million (equivalent to HK$139 million), profit for the period of PHP485 million (equivalent to HK$74 million), total assets of PHP6,762 million (equivalent to HK$1,022 million) and net assets of PHP5,347 million (equivalent to HK$808 million).

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), profit for the year of PHP727 million (equivalent to HK$108 million), total assets of PHP6,623 million (equivalent to HK$986 million) and net assets of PHP6,207 million (equivalent to HK$924 million). As at the date of this announcement, PSE did not have material impact on the earnings of the Group.

(d) Wealth management products

As at 30 September 2019, the Group also holds 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$345 million (31 March 2019: HK$1,148 million).

This investment represented unlisted and non-marketable asset management products issued by the banks and financial institutions in the PRC with original maturities of one year to five years (31 March 2019: one year to five years) that could be redeemed or were transferrable at any time, and was classified as other financial assets under current assets at 30 September 2019 and 31 March 2019. It was managed by the banks and financial institutions and invested in fixed-income financial products that were permitted by the China Securities Regulatory Commission, such as government bonds, corporate bonds and central bank notes. The investment portfolios of these products were not disclosed to the Group by the banks or financial institutions. If the banks and financial institutions were required to redeem these investments, they would redeem at a price equal to the outstanding principal plus accrued and unpaid interest. Interest from such investment varied from 5% to 9% (31 March 2019: 5% to 9%) annually, with deduction of management fee, and was receivable quarterly, annually or upon maturity. During the Period, the Group recorded investment income from such investment of HK$4 million (corresponding period in 2018: HK$53 million). Details in relation to the default of a wealth management product were disclosed in the events after the reporting period section of this announcement.

(e) Corporate finance advisory

The Group holds a corporate finance license under the Securities and Futures Ordinance, allowing it to advise conditionally on the Codes on Takeovers and Mergers and Share Buy-backs related transactions in addition to general corporate finance advisory services.

There was no revenue recorded from the provision of corporate finance advisory services for the Period (30 September 2018: Nil) as a result of competitive market of the industry.

PROSPECTS

Looking ahead, in view of recent economic turmoil in the global stock markets and uncertainty of the trade frictions between the US-China during the year, the Group expects the operating environment would continue to be difficult for the remaining of the financial year. 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 liquidity and solvency position of the Group as well as to achieve the best possible consensual restructuring for all interested parties.

On the other hand, the global stock markets are expected to remain challenging and uncertain, especially in Hong Kong and the PRC. The proprietary team of the Group always takes attentive approach on making diversified investments with various nature, return rate and risk exposure and will continue to closely monitor the investment portfolios of the Group represented by investments in Securities Company, Entity A, listed securities of PSE and wealth management products for potential dividend returns, fixed interest income returns and capital appreciations to enhance values to the Shareholders. The proprietary team of the Group would also closely monitor the Group's investment at FVTPL for potential realisation and for potential dividend returns and capital appreciation to enhance values to the Shareholders.

FINANCIAL REVIEW

Investments in associates

As at 30 September 2019, the Group held investments in associates of HK$368 million (31 March 2019: HK$365 million), representing (i) 36.17% shareholding interests in Imagination Holding Limited ("Imagination") with a carrying amount of HK$18 million; (ii) 36.17% shareholding interests in Jocasta Ventures Ltd ("Jocasta") with a carrying amount of HK$142 million; (iii) 31.38% shareholding interests in FreeOpt Holdings Limited ("FreeOpt") with a carrying amount of HK$186 million; and (iv) subscription for 15% of equity interest in Huiyue Financial Leasing (Ningbo) Co., Ltd*（輝月融資租賃(寧波)有限公司）("Huiyue") of which 6.78% of the total paid-up capital of Huiyue was paid up with a carrying amount of HK$22 million.

Imagination is a company incorporated in the Republic of the Marshall Islands and is an investment holding company. Jocasta is a company incorporated in the British Virgin Islands and is an investment holding company. Its subsidiary is principally engaged in the provision of money lending service. FreeOpt is a company incorporated in the Republic of the Marshall Islands and is an investment holding company. Its subsidiaries are principally engaged in investment holding and money lending business. Huiyue is a company established in the PRC in 2017 and is intended to engage in finance leasing business, leasing business, acquisition of assets for leasing both in the PRC and overseas, repair and disposal of leased assets. Huiyue remained inactive during the Period.

The Group accounted for the investments in associates using the equity method. During the Period, the Group shared losses of associates in the amount of HK$29 million.

Other financial assets

As at 30 September 2019, the Group recorded non-current other financial assets of HK$1,405 million (31 March 2019: HK$1,603 million), representing (i) an unlisted equity investment with 12.17% (31 March 2019: 12.17%) equity interest in Securities Company, of HK$686 million (31 March 2019: HK$732 million) (with an original investment cost of RMB525 million as at the end of both reporting periods), representing 16.2% (31 March 2019: 12.0%) of the total assets of the Group of HK$4,237 million (31 March 2019: HK$6,079 million); (ii) an unlisted equity investment with 19.06% equity interest in an investment holding company ("Entity A") of HK$692 million (31 March 2019: HK$842 million) (with an original investment cost of HK$600 million as at the end of both reporting periods), representing 16.3% (31 March 2019: 13.9%) of the total assets of the Group; and (iii) listed securities of PSE with a carrying amount of HK$27 million (31 March 2019: HK$29 million) (with an original investment cost of PHP252 million as at the end of both reporting periods), representing 0.6% (31 March 2019: 0.5%) of the total assets of the Group, representing 1.2% (31 March 2019: 1.2%) of PSE's total issued shares.

* *for identification purpose only*

As at 30 September 2019, the Group also recorded other financial assets (classified under current assets), representing fair value of the 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$345 million (31 March 2019: HK$1,148 million), representing 8.1% (31 March 2019: 18.9%) of the total assets of the Group. The investment costs of wealth management products held by the Group as at 30 September 2019 amounted to RMB885 million (equivalent to HK$972 million) (31 March 2019: RMB895 million, equivalent to HK$1,047 million).

Investments at fair value through profit or loss

As at 30 September 2019, the Group held investments at FVTPL of HK$14 million (31 March 2019: HK$24 million), representing 0.3% (31 March 2019: 0.4%) of the total assets of the Group and 1.4% (31 March 2019: 0.8%) of the net assets of the Group of HK$1,001 million (31 March 2019: HK$3,126 million). The Group held a portfolio of listed investments throughout the Period. As at 30 September 2019 and 31 March 2019, the Group mainly held listed securities of Pak Wing with a carrying value of HK$13 million (31 March 2019: HK$23 million), representing 97.9% (31 March 2019: 97.4%) of the investments at FVTPL held by the Group, 0.3% (31 March 2019: 0.4%) of the total assets of the Group and 1.3% (31 March 2019: 0.7%) of the net assets of the Group and 8.0% (31 March 2019: 8.0%) of Pak Wing's total issued shares. The original investment cost of the listed securities of Pak Wing amounted to HK$80 million (31 March 2019: HK$80 million). 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$0.211 per share as at 30 September 2019. Based on the interim report of Pak Wing for the six months ended 30 September 2019, Pak Wing and its subsidiaries recorded revenue of HK$36 million and loss of HK$3 million for the six months ended 30 September 2019 and net liabilities of HK$10 million as at 30 September 2019. Pak Wing and its subsidiaries are principally engaged in the foundation business as a foundation subcontractor in Hong Kong.

Other listed investments at FVTPL held by the Group are individually carrying at value less than 5% of the Group's total assets and net assets as at 30 September 2019 and 31 March 2019.

The Group recorded unrealised losses of investments at FVTPL of HK$10 million (corresponding period in 2018: HK$22 million) for the Period, of which included unrealised losses of HK$9 million (corresponding period in 2018: HK$19 million) for investments in listed securities of Pak Wing for the Period.

The Group would realise its investment in listed securities with reference to the stock market volatility and general trading sentiment. The proceeds from disposal, if any, would be applied towards expansion of the Group's existing business lines and general working capital purposes. The Group did not acquire or dispose of any listed securities of Pak Wing during the Period. The Group realised its investments in listed securities of China All Access (Holdings) Limited (whose shares are listed on the main board of the Stock Exchange, stock code: 633) with a carrying value of HK$405 million for aggregate gross proceeds of HK$121 million, resulting in net realised losses of investments at FVTPL of HK$283 million during the corresponding period ended 30 September 2018.

Provision for impairment loss of loans receivable and accounts receivable

The Group recorded provision for impairment loss of loans receivable of HK$253 million for the Period (corresponding period in 2018: HK$1,202 million) as the directors of the Company (the "Directors") are of the view that the collection of certain loans receivable was highly uncertain. 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 30 September 2019. In view of the recent economic turmoil in the global stock markets and uncertainty of the trade frictions between the PRC and the US since the second half of 2018, the rate of repayments from these borrowers has been severely affected.

The Group recorded provision for impairment loss of accounts receivable of HK$81,000 for the Period (corresponding period in 2018: HK$38 million) represented the allowance provided for the estimated loss in relation to loans provided to margin customers for our margin financing business.

The money leading team has focused on the credit management of the borrowers in order to minimise the credit risk. In order to reduce the default risk and manage the operating cash flow, the Group has maintained 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 and relevant legal proceedings have been taken.

Provision for factoring receivables and finance lease receivables

The Group recorded provision for impairment loss of factoring receivables of HK$243 million (corresponding period in 2018: reversal of HK$0.1 million) and provision for impairment loss of finance lease receivables of HK$21 million (corresponding period in 2018: HK$22 million) for the Period as a result of increased credit risks from delay of repayments from certain customers due to the extremely challenging market conditions.

Impairment loss of goodwill

The Group acquired Wins Finance Holdings Inc. ("Wins Finance") in mid 2017 (the "Acquisition"). The goodwill generated from the Acquisition was allocated to financial guarantee and finance leasing cash generating unit ("CGU A"). Goodwill is rested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of a cash generating unit is the higher of (i) its fair value less costs of disposal and (ii) its value in use. The Group has engaged an independent qualified professional valuer to perform the impairment testing. The fair value less costs of disposal is determined based on the quoted market price as at 30 September 2019 of Wins Finance's shares listed on The NASDAQ Stock Market LLC ("NASDAQ") and a control premium. Whereas, the value in use calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate by reference to the forecasts based on the funds available for the provision of financial guarantee and finance leasing business and does not exceed the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU A operates. The cash flows are discounted using the discount rate which are pre-tax and reflect specific risks relating to CGU A. As a result of the impairment testing, a goodwill impairment of HK$80 million (corresponding period in 2018: Nil) has been recognised during the Period.

Fair value loss on other financial assets

Balance represented the fair value of 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. One of the wealth management products held by a subsidiary of Wins Finance, an indirect non-wholly owned subsidiary of the Company and whose shares are listed on NASDAQ, with an outstanding principal amount of RMB740 million (equivalent to HK$812 million) as at 30 September 2019 was due to mature on 23 October 2019, however, an outstanding principal amount of RMB580 million (equivalent to HK$637 million) has yet to be redeemed and no investment portfolio has been returned by the relevant financial institutions. As the recoverability of the outstanding principal amount and related interest receivable is highly uncertain, a fair value loss of HK$767 million has been recorded for the Period.

Other income and gains

Other income and gains decreased to HK$7 million for the Period (corresponding period in 2018: HK$61 million) which was mainly due to the decrease in investment income on other financial assets recognised for the Period.

Share of profits and losses of associates and a joint venture, net

The Group shared losses from associates of HK$29 million for the Period (corresponding period in 2018: profit of HK$2 million) and the Group did not record share of result from a joint venture for the Period (corresponding period in 2018: shared loss of HK$2 million).

Expenses

Cost saving is a continuous aim in monitoring daily operations by the Group. During the Period, general and administrative expenses amounted to HK$66 million, representing a decrease of 61.4% as compared to HK$171 million for the same period in 2018 which was mainly due to a decrease in staff costs and legal and professional fee. Total employee benefit expenses decreased to HK$31 million as compared to HK$95 million in the corresponding period in 2018 was mainly due to the one-off equity-settled share option expense of HK$66 million included in the total employee benefit for the last corresponding period. Legal and professional fee amounted to HK$9 million (corresponding period in 2018: HK$11 million) incurred for the Period was mainly due to the winding up petition issued against the Company and for the legal proceedings against certain borrowers and a margin customer with overdue balances. Finance costs increased to HK$386 million for the Period as compared to HK$171 million for the same period in 2018, as a result of accrual of additional finance costs subsequent to the alleged events of defaults in relation to the Company's loan facilities and convertible debts instruments since first half of the year. Income tax expense decreased to HK$2 million for the Period (corresponding period in 2018: HK$4 million) was mainly due to the decrease in provision for the PRC tax for financial services business in China for the Period.

CONVERTIBLE INSTRUMENTS AND INTEREST-BEARING BORROWINGS

(i) 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, 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 approximately 30% equity interest in Wins Finance held by the Group were issued by the Company to the First Subscriber in June 2017 (the "First Convertible Bonds").

In August 2017, the Company entered into another subscription agreement with a wholly-owned subsidiary of Huarong Investment Stock Corporation Limited (the "Second Subscriber", whose shares are listed on the main board of the Stock Exchange, stock code: 2277) in relation to the subscription of the convertible bonds of the Company under general mandate for 1,028,235,294 conversion shares at conversion price of HK$0.425 per conversion share (the "Second Subscription"). The gross proceeds from the Second Subscription amounted to HK$437 million. The convertible bonds in the principal amount of HK$437 million, carried interest at 4% per annum and secured by 15% (which has been diluted to 12.17% of the share capital in the Securities Company 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 implementation of 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") 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 transaction 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.

The conversion prices of the First Convertible Bonds and the Second Convertible Bonds have been adjusted to HK$0.60 per Share and HK$0.59 per Share, respectively, upon completion of subscription of shares under general mandate on 5 August 2019.

As of the date of this announcement, the outstanding principal amounts of 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.

The First Convertible Bonds and the Second Convertible Bonds were reclassified as other secured borrowings under current liabilities upon expiry of the conversion options during the Period.

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.

(ii) 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"). As at the date of the Facility Agreement, Mr. Zhang Yongdong ("Mr. Zhang"), a substantial shareholder of the Company who then held approximately 29.28% of the Shares, also as an individual guarantor of the Company under the Facility Agreement. 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 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.

(iii) 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, approximately 7% equity interest of Wins Finance and certain Shares held by Mr. Zhang and personal guarantee given by Mr. Zhang and his spouse (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 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.

The conversion price of the CCBI Convertible Notes has been adjusted to HK$0.145 per Share upon completion of subscription of shares under general mandate on 5 August 2019.

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, the relevant event of default were set out in the announcements of the Company dated 4 September 2018, 24 October 2018 and 12 March 2019.

WINDING UP PETITIONS AND APPOINTMENT OF MONITORING ACCOUNTANTS

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. In a winding up by the court, any disposition of the property of the Company, including things in action, any transfer of shares, or alteration in the status of the members of the Company, made after the commencement of the winding up shall, unless the court otherwise orders, be void.

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 indicated 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. The substantive hearing on the Petition is scheduled to be heard on 17 February 2020 with one day reserved before the Companies Judge.

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).

Details in relation to the Petition were set out in the announcements of the Company dated 14 May 2019, 16 May 2019, 20 May 2019, 3 June 2019, 6 June 2019, 18 June 2019, 10 July 2019, 24 July 2019, 29 July 2019 and 1 August 2019.

RESTRUCTURING AND MEMORANDUM OF UNDERSTANDING

(a) On 20 May 2019, taking into consideration the recent financial situation of the Company, the board of Directors (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.

(b) 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.

Details in relation to the Restructuring Strategies and MOU were set out in the announcement of the Company dated 20 May 2019.

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 9 June 2019, the Company and another independent third party (the "Subscriber") entered into an agreement (the "Agreement"), pursuant to which, subject to the fulfillment of certain conditions, the Company agreed to allot and issue and the Subscriber agreed to subscribe 300,000,000 new Shares at the subscription Price of HK$0.145 per Share under general mandate. 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. The conditions to completion of the subscription have been satisfied or waived by the Subscriber and completion took place on 5 August 2019. An aggregate of 300,000,000 Shares were allotted and issued to the Subscriber at the subscription price of HK$0.145 per Share for a gross cash consideration totalling HK$43,500,000. Subsequent to the completion this subscription of new shares, the issued capital increased from HK$15,682,000 as at 31 March 2019 to HK$18,682,000 as at 30 September 2019. Up to the date of this announcement, approximately 63.2% of the proceeds has been utilised as intended for repayment of interest while approximately 0.8% of the proceeds has been used for general working capital of the Group. The remaining 36% of the proceeds is intended to be used for future general working capital of the Group.

Details in relation to the Agreement and completion of the subscription were set out in the announcements of the Company dated 9 June 2019 and 5 August 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2019, net current liabilities of the Group amounted to HK$1,675 million (31 March 2019: net current assets of HK$45 million) with cash and bank balances of HK$226 million (31 March 2019: HK$222 million) and the current ratio (current assets/current liabilities) was 0.48 (31 March 2019: 1.02). The Group had secured borrowings of HK$2,501 million (31 March 2019: HK$1,326 million), unsecured borrowings of HK$73 million (31 March 2019: HK$73 million) and convertible instruments of HK$208 million (31 March 2019: HK$1,348 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 447.0% (31 March 2019: 111.8%). 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 US dollar. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollar and US dollar. As Hong Kong Dollar is pegged to US dollar, the foreign exchange risk exposures are considered limited. The Group did not have any financial instruments used for hedging purpose.

As at 30 September 2019, the Group had capital commitments of RMB130 million (equivalent to HK$143 million) (31 March 2019: RMB130 million, equivalent to HK$152 million) 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 30 September 2019, the Group had shareholders' funds of HK$622 million (31 March 2019: HK$2,457 million).

PLEDGE OF ASSETS

As at 30 September 2019, bank borrowings of HK$3 million (equivalent to RMB2 million) (31 March 2019: HK$24 million, equivalent to RMB20 million) were secured by a corporate guarantee given by an independent third party (31 March 2019: secured by bank deposits of HK$23 million with a corporate guarantee given by an independent third party). HK$702 million (equivalent to US$90 million) (31 March 2019: 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 2019: 20%) equity interest of Wins Finance held by the Group, and personal guarantees given by Mr. Zhang and his spouse. Other borrowings of HK$1 million (equivalent to RMB1 million) (31 March 2019: HK$7 million, equivalent to RMB6 million) were secured by certain finance lease receivables with carrying amount of HK$11 million (equivalent to RMB10 million) (31 March 2019: HK$12 million, equivalent to RMB10 million).

As at 30 September 2019, the Notes were secured by certain listed securities held by the Group (31 March 2019: Nil), certain shares in the capital of a wholly-owned subsidiary of the Company, approximately 17% (31 March 2019: approximately 7%) 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 30 September 2019, the other secured borrowings (31 March 2019: First Convertible Bonds) of HK$772 million (equivalent to US$99 million) (31 March 2019: HK$772 million, equivalent to US$99 million) were secured by approximately 30% (31 March 2019: approximately 30%) equity interest of Wins Finance held by the Group. As at 30 September 2019, the other secured borrowings (31 March 2019: Second Convertible Bonds) of HK$429 million (31 March 2019: HK$429 million) were secured by 12.17% (31 March 2019: 12.17%) equity interest of the Securities Company held by the Group.

EVENTS AFTER THE REPORTING PERIOD

The Group, through Wins Finance, held certain wealth management products (the "Products") managed by certain financial institutions in the PRC (the "Financial Institutions"). One of the Products with original investment amount of RMB750 million and remaining principal amount of RMB740 million (equivalent to HK$812 million as at 30 September 2019) was due to mature on 23 October 2019. As at the date of this announcement, an outstanding principal amount of RMB580 million (equivalent to HK$637 million as at 30 September 2019) has not been redeemed and no investment portfolio has been returned by the relevant Financial Institutions. The Company has set up an investigation committee and engaged an external independent law firm in the PRC with Wins Finance to assist in such investigation. Based on the investigation report dated 9 January 2020, it was discovered that the asset manager and certain other parties had executed some additional documents in respect of the investment of RMB750 million in other investments. Wins Finance was not a party to these additional documents and was not aware of these additional documents previously. The Company is taking legal advice as to how to proceed with a view to maximising the interests of the Company and its Shareholders. The Company reserves its right to and will exhaust all possible remedies in order to seek for compensation for the loss under the investment including without limitation the institution of legal proceedings against the relevant parties. The Company considered the recoverability of the outstanding principal amount and related interest receivable is highly uncertain, a fair value loss of HK$767 million has been recorded for the Period.

Except as disclosed elsewhere in this announcement, the Group had no other significant events after the reporting period. Details in relation to the results of the investigation were set out in the announcement of the Company dated 9 January 2020.

CONTINGENT LIABILITIES

Wins Finance and certain of its executive officers were named as defendants in two civil securities lawsuits recently filed in two U.S. District Courts (the "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 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 rescheduled a final settlement approval hearing for 18 May 2020.

Save as disclosed above, the Group had no other material contingent liabilities as at 30 September 2019 and 31 March 2019.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2019, the Group employed 109 staff members (30 September 2018: 125 staff members) including directors of the Company. Staff costs incurred for the Period, including directors' remuneration, was HK$31 million (30 September 2018: HK$95 million).

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

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

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

AUDIT COMMITTEE

The condensed consolidated financial statements of the Company for the six months ended 30 September 2019 have been reviewed by the Audit Committee and have not been reviewed or audited by the Company's auditors. The Audit Committee comprises three Independent Non-executive Directors. The primary duties of the Audit Committee are, amongst other matters, to communicate with the management of the Company; and to review the accounting principles and practices, risk management and internal control systems, interim and annual results of the Group.

CORPORATE GOVERNANCE PRACTICES

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

Code Provision A.6.7 – Two Independent Non-executive Directors were unable to attend the annual general meeting held on 9 September 2019 as they had other engagements.

DIRECTORS' SECURITIES TRANSACTIONS

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

PUBLICATION OF FINANCIAL INFORMATION

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.freeman279.com). The Group's Interim Financial Report for 2019 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, 10 January 2020

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)*
Mr. Yang Haoying

Independent Non-executive Directors:
Mr. An Dong
Mr. Fung Tze Wa
Mr. Wu Keli