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## **FREEMAN FINANCIAL CORPORATION LIMITED**

**民豐企業控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 279)**

**(1) VERY SUBSTANTIAL DISPOSAL – DEEMED DISPOSAL OF  
EQUITY INTEREST IN A WHOLLY-OWNED SUBSIDIARY;  
(2) SUBSCRIPTION AGREEMENT;  
AND  
(3) RESUMPTION OF TRADING**

### **SUBSCRIPTION AGREEMENT**

The Board is pleased to announce that on 7 May 2014 (after trading hours), Freeman Corporation Limited (“FCL”, an indirect wholly-owned subsidiary of the Company) and the Subscriber (an indirect wholly-owned subsidiary of Willie) entered into the Subscription Agreement, pursuant to which the Subscriber agreed to subscribe or procure the subscription by its nominee(s) of the FCL New Shares for an aggregate Subscription Price in the sum of HK\$879 million (subject to adjustment) and FCL agreed to allot and issue an aggregate of 300,000,000 FCL New Shares to the Subscriber or such nominee(s). Upon Completion, the equity interests in FCL will be held as to 71.7% by FFIC and as to 28.3% by the Subscriber or such nominee(s) respectively.

### **LISTING RULES IMPLICATIONS**

Following the Completion, the equity interests of FFIC in FCL will be diluted from 100% to 71.7% and FCL will become an indirect non-wholly owned subsidiary of the Company. The Subscription will constitute a deemed disposal of the Company’s equity interest in FCL under Chapter 14 of the Listing Rules.

\* *for identification purpose only*

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Subscription exceed 75%, the Subscription constitutes a very substantial disposal of the Company under the Listing Rules and is therefore subject to Shareholders' approval at the EGM to be convened.

A Circular containing, amongst other things, further details of the Subscription Agreement and the Subscription, together with the notice of the EGM, is expected to be despatched to the Shareholders on or before 30 June 2014 so as to allow sufficient time for the preparation of the relevant information for inclusion in the Circular.

**As the Completion is conditional upon satisfaction of the conditions precedent as set out under the section headed "Conditions Precedent" in this announcement, the Subscription may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

#### **SUSPENSION OF TRADING AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:00 a.m. on 8 May 2014, pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 16 May 2014.

#### **SUBSCRIPTION AGREEMENT**

Date: 7 May 2014 (after trading hours)

Parties: (1) Freeman Corporation Limited; and  
(2) the Subscriber.

#### **Nature of Transaction and assets to be disposed of**

Pursuant to the Subscription Agreement, the Subscriber agreed to subscribe or procure the subscription by its nominee(s) of the FCL New Shares for an aggregate Subscription Price in the sum of HK\$879 million (subject to adjustment) and FCL agreed to allot and issue an aggregate of 300,000,000 FCL New Shares to the Subscriber or such nominee(s). Upon Completion, the equity interests in FCL will be held as to 71.7% by FFIC and as to 28.3% by the Subscriber respectively.

The Subscription Price was arrived at after arm's length negotiation among the parties to the Subscription Agreement with reference to the FCL's unaudited consolidated net asset value per FCL Share which was approximately HK\$2.93 as at 31 March 2014, translating into a total unaudited consolidated net asset value for FCL of approximately HK\$2,227.5 million based on 760,849,120 FCL Shares as at 31 March 2014.

### **Adjustment to the Subscription Price**

Pursuant to the Subscription Agreement, if the Audited NAV is either larger or smaller than HK\$2,227,494,000 (being the unaudited consolidated net asset value of FCL as at 31 March 2014) by more than HK\$100,000,000, the Subscription Price per FCL New Share shall be revised as follows:–

$$\begin{array}{r} \text{New Subscription Price} \\ \text{per FCL New Share} \end{array} = \frac{\text{Audited NAV}}{760,849,120}$$

and the aggregate Subscription Price shall be adjusted accordingly; however, irrespective of whether the Subscription Price is adjusted, the total number of FCL New Shares shall remain the same.

### **Conditions Precedent**

The obligations of the parties to the Subscription Agreement to effect completion shall be conditional upon:

- (a) if required, the passing of the necessary resolution(s) by the shareholders of FCL at the general meeting to approve the entering into of the Subscription Agreement by FCL and the transactions contemplated thereunder;
- (b) if required, the passing of the necessary resolution(s) by the Shareholders (other than those, if any, required to abstain from voting pursuant to the Listing Rules) at general meeting to approve the entering into of the Subscription Agreement by FCL and performance of the transactions contemplated thereunder including the allotment and issue of the FCL New Shares;
- (c) if required, the passing of the necessary resolution(s) by the shareholders of Willie (other than those, if any, required to abstain from voting pursuant to the Listing Rules) at general meeting to approve the entering into of the Subscription Agreement by the Subscriber and the subscription of the FCL New Shares;

- (d) all necessary approvals from the relevant governmental or regulatory authorities in British Virgin Islands, Hong Kong and Cayman Islands required of either FCL or the Subscriber for the consummation of the transactions contemplated under the Subscription Agreement having been obtained and all filings have been made by each of FCL and the Subscriber; and
- (e) the Subscriber having conducted and completed due diligence on all business, assets and liabilities, legal and financial matter and all such other matters as deemed necessary.

None of the above conditions precedent is waivable. If the aforesaid conditions precedent are not fulfilled on or before the Long Stop Date, the Subscription Agreement shall lapse and become null and void and the parties (i.e. FCL and the Subscriber) shall be released from all obligations under the Subscription Agreement, save for any liability arising out of any antecedent breaches thereof.

### **Nomination of director**

Pursuant to the Subscription Agreement, the Subscriber shall be entitled to nominate at any time as director(s) of FCL in proportion to its shareholding in FCL.

### **Completion**

After fulfillment of all the conditions precedent, Completion may take place in whole or in part on one or more date(s) provided that FCL shall have issued and allotted all the FCL New Shares and the Subscriber shall have paid the entire Subscription Price within the first thirty Business Days after the fulfillment of the conditions precedent.

### **APPLICATION OF THE AGGREGATE SUBSCRIPTION PRICE**

The aggregate Subscription Price in sum of HK\$879 million (subject to adjustment) to be paid by the Subscriber will be applied by FCL as capital for the further expansion and development of its financial services and securities trading business. Up to the date of this announcement and other than in its ordinary and usual course of business, the Company has not entered into or proposed to enter into any agreement, arrangement, understanding or undertaking (whether formal or informal, expressed or implied), or any negotiation (whether concluded or not) with an intention to acquire any new assets/businesses/companies and/or to dispose of the existing business of the Group.

### **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Directors had taken into account the following factor prior to entering into the Subscription Agreement: the Subscription Price of HK\$2.93 per FCL New Share (subject to adjustment) represents the unaudited consolidated net asset value per FCL Share as at 31 March 2014.

Willie (holding company of the Subscriber) has the tradition and experience and is also well-versed in investing in the financial services industry. The combined forces of the Company and Willie, being two veterans in the provision of financial services, are expected to bring about significant potential to the further expansion and development of the Group's financial services business. The Company considered the Subscription would facilitate merging of financial resources, experience and expertise of the Group and Willie for creating value to its Shareholders. In October 2011, the Company announced its intention to form a strategic alliance with Willie. Since then, despite the Company having disposed of certain shares in Willie on the open market in order to realize capital gains from such disposals, the Company continued to develop the strategic alliance with Willie by sharing information of stock market conditions, analysis, credit data and business network. The Company considers the Subscription to be another concrete step in forging the strategic alliance with Willie.

Furthermore, the Company believes that the transaction contemplated under the Subscription Agreement is beneficial to the Company and its Shareholders as it will provide an additional source of capital for FCL. With the additional source of capital from the Subscription, the Company considers it can strengthen the capital base for money lending business to diversify its customer network as well as for securities investment trading and investment holding businesses to create more business opportunities to invest into investments/assets with capital appreciation potentials.

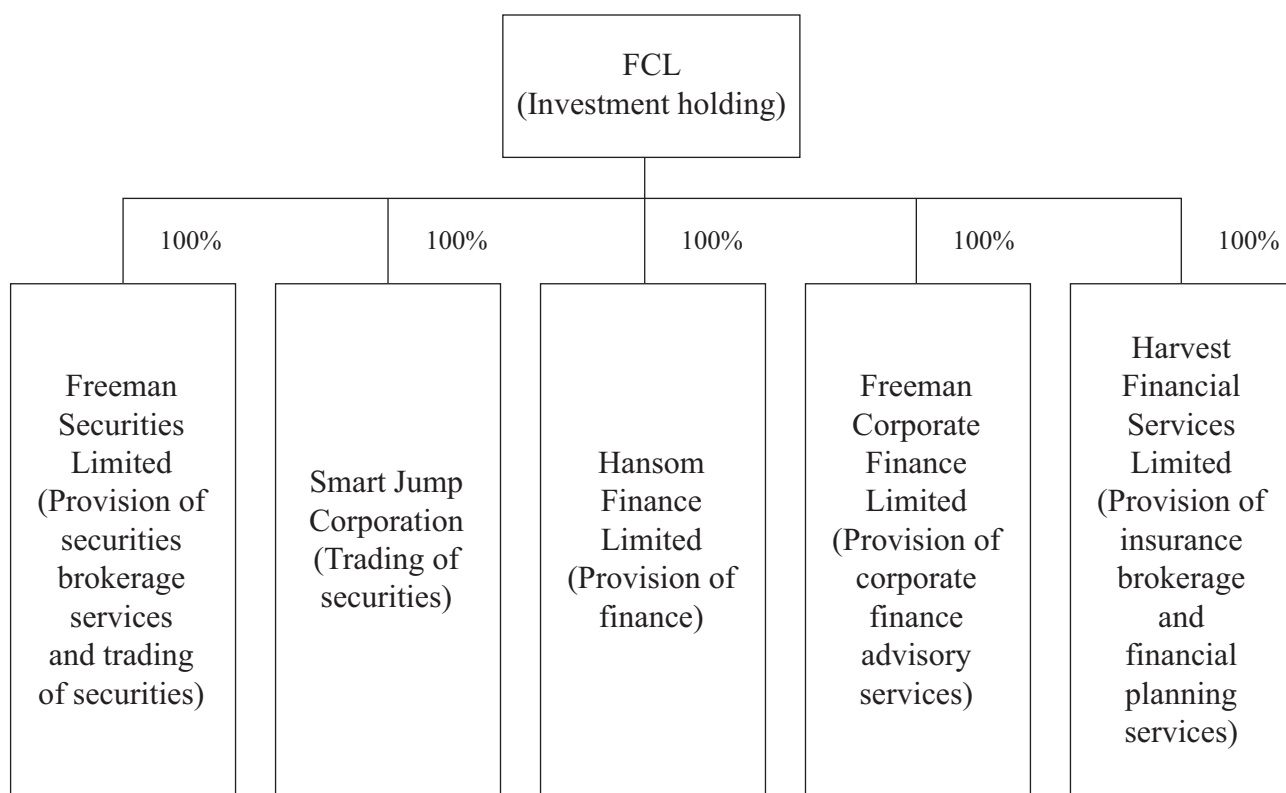
Following the Completion, the Group will still hold 71.7% equity interest in FCL, and FCL will continue to be accounted for as a subsidiary of the Company and the Group will continue to benefit from the future growth and success of FCL.

The Directors (including the independent non-executive Directors) consider the terms of the Subscription Agreement are negotiated at arm's length basis and on normal commercial terms, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **INFORMATION ON FCL**

FCL is an indirect wholly-owned subsidiary of the Company incorporated in the Cayman Islands with limited liability and is principally engaged in the business of investment holding. FCL and its subsidiaries are principally engaged in the financial services sector, including the provision of securities brokerage services, the provision of insurance brokerage and financial planning services, the provision of corporate finance advisory services, trading of securities, provision of finance, as well as investment holding.

Set out below is the group structure of FCL and its major operating subsidiaries with their respective principal activities.



Set out below is the proforma unaudited consolidated financial information of FCL for the two financial years ended 31 March 2012 and 2013.

	<b>For the year ended 31 March 2012</b>	<b>For the year ended 31 March 2013</b>
	<i>HK\$</i>	<i>HK\$</i>
	(unaudited)	(unaudited)
Net profit (loss) before tax	(490,452,000)	283,222,000
Net profit (loss) after tax	(468,515,000)	281,430,000

As FCL was incorporated on 28 June 2013 and became holding company of its subsidiaries in August 2013, the above consolidated profit (loss) figures for the two years ended 31 March 2012 and 2013 have been prepared on the basis as if the existing corporate structure of FCL and its subsidiaries have been in place for the entire period of that year.

The unaudited consolidated financial information of FCL for the financial year ended 31 March 2014 is not yet available as at the date of this announcement as the Company needs more time to prepare and finalize the same. The Company will prepare consolidated financial statements of FCL and its subsidiaries for the year ended 31 March 2014 in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The relevant information of FCL will be disclosed in the Circular.

## **FINANCIAL IMPACT ON THE GROUP**

Following the Completion, the equity interest of the Group in FCL will be diluted from 100% to 71.7% and FCL will become a non-wholly owned subsidiary of the Company. The financial results of FCL will continue to be consolidated by the Group. Based on the existing information available to the Company, the Directors estimate that the financial impact to the Group's consolidated income statement in respect of the deemed disposal of the Company's interests in FCL under the Subscription Agreement should be insignificant as the Subscription Price to be received is almost equivalent to the net asset value per FCL Share as at 31 March 2014.

It should be noted that the aforementioned estimation is for illustrative purpose only and does not purport to represent how the financial position of the Group will be after the Completion. Further information regarding the financial effect of the Subscription will be included in the Circular.

## **INFORMATION ON THE GROUP AND THE PARTIES**

The Group is principally engaged in the financial services sector, including the provision of securities brokerage services, the provision of insurance brokerage and financial planning services, the provision of corporate finance advisory services, trading of securities, provision of finance, as well as investment holding.

The Subscriber is an indirect wholly-owned subsidiary of Willie and is an investment holding company. Willie and its subsidiaries are principally engaged in investment in securities trading, money lending, property investment and investment holding.

## **LISTING RULES IMPLICATIONS**

Following the Completion, the equity interests of FFIC in FCL will be diluted from 100% to 71.7% and FCL will become a non-wholly owned subsidiary of the Company. The Subscription will constitute a deemed disposal of the Group's equity interest in FCL under Chapter 14 of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Subscription exceed 75%, the Subscription constitutes a very substantial disposal of the Company under the Listing Rules, and is therefore subject to Shareholders' approval at the EGM to be convened.

As at the date of the Subscription Agreement, the Company, through an indirect wholly-owned subsidiary, held 37,406,335 shares of Willie, representing approximately 4.97% of the total issued share capital of Willie and Willie (the holding company of the Subscriber), either itself or through its subsidiary, held 23,438,649 Shares representing approximately 6.81% of the total issued share capital of the Company. Saved as disclosed, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiry: (i) the Subscriber and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company; and (ii) no Shareholder has a material interest in the Subscription Agreement and the transaction contemplated thereunder (including without limitation the Subscription) which is different from that of the other Shareholders and thus no Shareholder (other than Willie and/or its relevant subsidiary) is required to abstain from voting on the relevant resolution(s) to approve the Subscription Agreement and the transaction contemplated thereunder (including without limitation the Subscription) at the EGM. Accordingly, Willie and/or its relevant subsidiary will abstain from voting in respect of the resolution(s) relating to the Subscription and the transaction contemplated in the Subscription Agreement at the EGM.

## **GENERAL**

A Circular containing, amongst other things, further details of the Subscription Agreement and the Subscription, together with the notice of the EGM is expected to be despatched to the Shareholders on or before 30 June 2014 so as to allow sufficient time for the preparation of the relevant information for inclusion in the Circular.

**As the Completion is conditional upon satisfaction of the conditions precedent as set out under the section headed "Conditions Precedent" in this announcement, the Subscription may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## **SUSPENSION OF TRADING AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:00 a.m. on 8 May 2014, pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 16 May 2014.



## DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“Audited NAV”	the audited consolidated net asset value of FCL as at 31 March 2014
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday or any other public holidays) on which banks in Hong Kong are generally open for settlement business
“Company”	Freeman Financial Corporation Limited (Stock Code: 279), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Subscription pursuant to the Subscription Agreement
“connected person(s)”	shall have the meaning ascribed to it under the Listing Rules
“Circular”	the circular to be despatched by the Company in respect of the Subscription
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting to be held by the Company to consider and approve the Subscription Agreement and the transaction contemplated thereunder
“FCL”	Freeman Corporation Limited, an indirect wholly-owned subsidiary of the Company incorporated in the Cayman Islands with limited liability
“FCL Share(s)”	ordinary share(s) of US\$0.00000001 each in the issued share capital of FCL

“FCL New Share(s)”	the 300,000,000 FCL Shares to be allotted and issued by FCL to the Subscriber or its nominee(s) pursuant to the Subscription Agreement
“FFIC”	Freeman Financial Investment Corporation, a wholly-owned subsidiary of the Company incorporated in the Cayman Islands with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 October 2014 or such later date as the parties to the Subscription Agreement may agree in writing
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Co-Lead Holdings Limited, being the subscriber to the FCL New Shares pursuant to the Subscription Agreement, is an indirect wholly-owned subsidiary of Willie International Holdings Limited (Stock Code: 273) and is a company incorporated in the British Virgin Islands with limited liability
“Subscription”	the subscription of 300 million FCL New Shares by the Subscriber or its nominee(s) in FCL pursuant to the Subscription Agreement
“Subscription Agreement”	a Subscription Agreement dated 7 May 2014 entered into between FCL and the Subscriber in relation to the Subscription
“Subscription Price”	HK\$2.93 per Subscription Share

“subsidiary” or “subsidiaries”	has the meaning ascribed thereto under the Listing Rules
“Willie”	Willie International Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 273)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	US dollars, the lawful currency of United States of America
“%”	per cent.

By Order of the Board of  
**Freeman Financial Corporation Limited**  
**Lo Kan Sun**  
*Chairman*

Hong Kong, 15 May 2014

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

*Executive Directors*

Mr. Lo Kan Sun (*Chairman*)  
Mr. Hui Quincy Kwong Hei (*Managing Director*)  
Ms. Au Shuk Yee, Sue  
Ms. Chow Mun Yee

*Non-executive Directors*

Mr. Andrew Liu  
Mr. Liu Kam Fai, Winston

*Independent Non-executive Directors*

Mr. Cheung Wing Ping  
Mr. Chung Yuk Lun  
Mr. Hung Cho Sing  
Dr. Agustin V. Que