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FREEMAN FINTECH CORPORATION LIMITED

民眾金融科技控股有限公司

(formerly known as Freeman Financial Corporation Limited 民眾金服控股有限公司)

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 279)

MAJOR TRANSACTION – ACQUISITION OF A CONTROLLING INTEREST IN WINS FINANCE HOLDINGS INC.

THE ACQUISITION

The Board is pleased to announce that on 13 December 2016 (after trading hours), the Purchaser entered into the Share Purchase Agreement with the Seller Parties, pursuant to which the Purchaser conditionally agreed to purchase, and the Sellers conditionally agreed to sell, 67.1% equity interest in the Target Company at the Purchase Price.

Upon the Closing, the Purchaser will hold 67.1% of the total issued share capital of the Target Company, thereby making it a non-wholly owned subsidiary of the Company. Accordingly, the financial results of the Target Company will be consolidated into the Group's financial statements.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 25% but is not more than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Accordingly, the Company will seek Shareholders' approval at the EGM by way of poll for the Share Purchase Agreement and the transactions contemplated therein.

A Circular, containing, among other things, further details of the Acquisition and other information required under the Listing Rules in respect of the Acquisition as well as the notice of the EGM is expected to be despatched to the Shareholders on or before 15 February 2017, which is more than 15 business days after the publication of this announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the Circular.

As the Closing is conditional upon the conditions precedent of the Share Purchase Agreement being satisfied or waived on or before the Long Stop Date, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

The Board is pleased to announce that on 13 December 2016 (after trading hours), the Purchaser entered into the Share Purchase Agreement with the Seller Parties, pursuant to which the Purchaser conditionally agreed to purchase, and the Sellers conditionally agreed to sell, 67.1% equity interest in the Target Company at the Purchase Price.

Upon the Closing, the Purchaser will hold 67.1% of the total issued share capital of the Target Company, thereby making it a non-wholly owned subsidiary of the Company. Accordingly, the financial results of the Target Company will be consolidated into the Group's financial statements.

PRINCIPAL TERMS OF THE ACQUISITION

Date: 13 December 2016 (after trading hours)

Purchaser: the Purchaser

Sellers: the Sellers

Warrantor: Mr. Wang Hong

Assets to be acquired

- (a) 10,080,000 ordinary shares in the Target Company held by Appelo Limited, representing 50.3% of the total issued share capital of the Target Company as at the date of this announcement; and
- (b) 3,360,000 ordinary shares in the Target Company held by Wits Global Limited, representing 16.8% of the total issued share capital of the Target Company as at the date of this announcement.

Purchase Price

The Purchase Price is the lower of (i) US\$260,000,000; or (ii) the Adjusted Purchase Price (as defined below).

The consideration payable to Appelo Limited is 75% of the Purchase Price and the consideration payable to Wits Global Limited is 25% of the Purchase Price, in proportion to their respective shareholding of the Sale Shares.

The Purchase Price represents (i) approximately 67.1% of the audited net asset value of the Target Group Companies as of 30 June 2016 times a multiple of 1.58 and (ii) a discount of approximately 88% of the average closing price of US\$159.87 per share of the Target Company on NASDAQ for the five trading days immediately preceding the date of the Acquisition.

The Purchase Price was arrived after arm's length negotiations between the Seller Parties and the Purchaser on normal commercial terms and the Purchase Price was determined after taking into account: (i) the financial statements of the Target Company; (ii) the prospects and potential of the business of the Target Company and (iii) prevailing trading prices of the Target Company.

The Purchase Price will be settled by the Purchaser in the following manner:

- (a) within six months after the signing of the Share Purchase Agreement, the Purchaser shall deliver, or cause to be delivered, to (i) Appelo Limited, Promissory Note A1 and (ii) Wits Global Limited, Promissory Note A2;
- (b) within five Business Days after the Closing, the Purchaser shall deliver, or cause to be delivered, to (i) Appelo Limited, Promissory Note B1 and (ii) Wits Global Limited, Promissory Note B2; and
- (c) within six months after the Closing, the Purchaser shall deliver, or cause to be delivered, to (i) Appelo Limited, Promissory Note C1 and (ii) Wits Global Limited, Promissory Note C2.

The Purchase Price is to be paid from internal resources and/or financed under credit facilities of the Group.

Adjusted Purchase Price

No later than two Business Days prior to the Closing, the Seller Parties will provide the Purchaser with the Closing Balance Sheet and the working papers used in connection with the preparation of the Closing Balance Sheet. The Closing Balance Sheet will be prepared in a manner consistent with and on the same basis and in accordance with the same accounting policies as the financial statements of the Target Group Companies.

The Adjusted Purchase Price is calculated as follows:

$$\text{“Adjusted Purchase Price”} = \text{US\$128,000,000} + A + B$$

Where:

“A” the net asset value of the Target Group Companies calculated in accordance with the Closing Balance Sheet $\times C \times D \times E - \text{US\$96,000,000}$ (the “**Adjusted Appelo Payment Amount**”);

“B” the net asset value of the Target Group Companies calculated in accordance with the Closing Balance Sheet $\times C \times D \times F - \text{US\$32,000,000}$ (the “**Adjusted Wits Payment Amount**”);

“C” means 1.58;

“D” means the percentage of the Sellers’ aggregate interest in the Target Company as at the Measurement Date;

“E” means 0.75; and

“F” means 0.25.

Within six months after the Closing, the Purchaser will be entitled to, at its own cost, have the Closing Balance Sheet audited by its external auditors. In the event that the Purchaser decides to conduct an audit of the Closing Balance Sheet, such audited Closing Balance Sheet will be the final Closing Balance Sheet and the net asset value of the Target Group Companies calculated based on such audited Closing Balance Sheet will apply to the calculation of the Adjusted Appelo Payment Amount and the Adjusted Wits Payment Amount.

Promissory Note A1 and A2

Issuer:	the Company
Principal amount:	Promissory Note A1: US\$43,500,000 Promissory Note A2: US\$14,500,000
Interest:	2% per annum
Maturity date:	12 months from the date of issuance of the notes
Transferability:	Promissory Note A1: The note may be transferred by Appelo Limited or its transferees or transferees thereof to any person other than a person who is a connected person of the Company (as defined in the Listing Rules). Promissory Note A2: The note may be transferred by Wits Global Limited or its transferees or transferees thereof to any person other than a person who is a connected person of the Company (as defined in the Listing Rules).
Early repayment:	The Company may, by a prior written notice, prepay the whole or any part of the principal amount of Promissory Note A1 and/or Promissory Note A2 at any time seven Business Days prior to the maturity date, without premium or penalty, and any prepayment shall be made together with accrued interest on the amount prepaid provided that if the outstanding principal amount is repaid on or earlier than one month before the maturity date, any outstanding accrued interest on such amount of principal shall be cancelled and void ab initio absolutely.

Promissory Note B1 and B2

Issuer:	the Company
Principal amount:	Promissory Note B1: US\$52,500,000 Promissory Note B2: US\$17,500,000
Interest:	2% per annum
Maturity date:	12 months from the date of issuance of the notes
Transferability:	Promissory Note B1: The note may be transferred by Appelo Limited or its transferees or transferees thereof to any person other than a person who is a connected person of the Company (as defined in the Listing Rules). Promissory Note B2: The note may be transferred by Wits Global Limited or its transferees or transferees thereof to any person other than a person who is a connected person of the Company (as defined in the Listing Rules).
Early repayment:	The Company may, by a prior written notice, prepay the whole or any part of the principal amount of Promissory Note B1 and/or Promissory Note B2 at any time seven Business Days prior to the maturity date, without premium or penalty, and any prepayment shall be made together with accrued interest on the amount prepaid provided that if the outstanding principal amount is repaid on or earlier than one month before the maturity date, any outstanding accrued interest on such amount of principal shall be cancelled and void ab initio absolutely.

Promissory Note C1 and C2

Issuer:	the Company
Principal amount:	Promissory Note C1: the lower of US\$99,000,000 and the Adjusted Appelo Payment Amount Promissory Note C2: the lower of US\$33,000,000 and the Adjusted Wits Payment Amount
Interest:	2% per annum
Maturity date:	36 months from the date of issuance of the notes
Transferability:	Promissory Note C1: The note may be transferred by Appelo Limited or its transferees or transferees thereof to any person other than a person who is a connected person of the Company (as defined in the Listing Rules). Promissory Note C2: The note may be transferred by Wits Global Limited or its transferees or transferees thereof to any person other than a person who is a connected person of the Company (as defined in the Listing Rules).
Early repayment:	The Company may, by a prior written notice, prepay the whole or any part of the principal amount of Promissory Note C1 and/or Promissory Note C2 at any time seven Business Days prior to the maturity date, without premium or penalty, and any prepayment shall be made together with accrued interest on the amount prepaid provided that if the outstanding principal amount is repaid on or earlier than one month before the maturity date, any outstanding accrued interest on such amount of principal shall be cancelled and void ab initio absolutely.

Representations and Warranties

Under the Share Purchase Agreement, the Seller Parties jointly and severally provide representations and warranties which are usual and customary for a transaction of this nature and scale.

Conditions Precedent

The obligations of the parties to effect the Closing is conditional upon the satisfaction or waiver of, among others, the following conditions:

- (a) there shall not be in effect any law or governmental order of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated under the Share Purchase Agreement;
- (b) no legal proceeding shall have been commenced by or before any governmental authority against the Purchaser or any of the Seller Parties seeking to restrain or materially and adversely alter the transactions contemplated by the Share Purchase Agreement which would render it impossible or unlawful to consummate such transactions, provided, however, that this condition shall not apply if such party has directly or indirectly solicited or encouraged any such legal proceeding;
- (c) from and after the date of the Share Purchase Agreement, there shall not have occurred and be continuing a material adverse effect;
- (d) the Purchaser shall have received a true and complete copy of the board resolutions of the Target Company, to the satisfaction of the Purchaser, approving and/or authorizing (i) the transactions contemplated under the Share Purchase Agreement, (ii) the change of directors with the resignation of Jianming Hao, Haiming Guo, Guo Chen and Jingxiao Zhang and the appointment of Junfeng Zhao, Xiaofeng Zhong, Shihai Wang and Weiqi Chen as directors of the Target Company, (iii) no change to the treatment of the awards under the Target Company's 2015 share incentive plan and (iv) the registered office provider to update the register of members of the Target Company, evidencing the ownership by the Purchaser of all of the Sale Shares;
- (e) the Shareholders' meeting of the Company shall have been convened to vote on the transactions contemplated under the Share Purchase Agreement and the Shareholders shall have granted the approval on the transactions contemplated under the Share Purchase Agreement at such Shareholders' meeting;
- (f) the Sellers shall have delivered a notice to the Target Company with regard to the assignment of their registration rights under the Amended and Restated Registration Rights Agreement and the Sellers shall have caused the Target Company to execute and deliver an addendum agreement to the Amended and Restated Registration Rights Agreement; and
- (g) the Purchaser has completed to its satisfaction business, legal and financial due diligence review of the Seller Parties and Target Group Companies.

Termination

The Share Purchase Agreement may be terminated at any time prior to the Closing in the following manner:

- (a) by mutual written consent of the Seller Parties and the Purchaser;
- (b) by either the Purchaser or the Seller Parties if:
 - (i) the Closing shall not have occurred by the close of business on the Long Stop Date provided that the right to terminate the Share Purchase Agreement shall not be available to (a) the Purchaser if the failure by the Purchaser to perform any of its obligations under the Share Purchase Agreement shall have resulted in the failure of the Closing to be consummated by the Long Stop Date, or (b) the Seller Parties if the failure by any of the Seller Parties to perform any of its obligations under the Share Purchase Agreement shall have resulted in the failure of the Closing to be consummated by the Long Stop Date;
 - (ii) there shall have been in effect any law or governmental order of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated under the Share Purchase Agreement; or
 - (iii) any legal proceeding shall have been commenced by or before any governmental authority against the Purchaser or any of the Seller Parties seeking to restrain or materially and adversely alter the transactions contemplated by the Share Purchase Agreement which would render it impossible or unlawful to consummate such transactions, provided, however, that this method of termination shall not apply if such party has directly or indirectly solicited or encouraged any such legal proceeding;
- (c) by the Purchaser if, between the date of the Share Purchase Agreement and the Closing,
 - (i) there is a breach of any representation or warranty or failure to perform any covenant or agreement in the Share Purchase Agreement on the part of the Seller Parties and (ii) such breach or failure to perform would cause any of the conditions precedent of the Share Purchase Agreement not to be satisfied on or before the Long Stop Date and cannot be cured, or if curable, is not cured within thirty days after written notice of such breach is given to the Seller Parties by the Purchaser; or
- (d) by the Seller Parties if, between the date of the Share Purchase Agreement and the Closing, there is a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Purchaser set forth in the Share Purchase Agreement, which breach or failure to perform would cause any of the conditions precedent of the Share Purchase Agreement not to be satisfied on or before the Long Stop Date and cannot be cured, or if curable, is not cured within thirty days after written notice of such breach is given to the Purchaser by the Seller Parties.

In the event that the Share Purchase Agreement is terminated in accordance with its terms, Promissory Note A1 and Promissory Note A2 will be cancelled immediately and void ab initio absolutely and the Seller Parties shall return, or cause to be returned, Promissory Note A1 and Promissory Note A2 to the Purchaser within three Business Days after the date of such termination.

Closing

The Closing will take place on a date that is no later than three Business Days after the satisfaction or valid waiver of the conditions precedent of the Share Purchase Agreement (or such other date and time as the parties may mutually agree upon in writing).

With effect from the Closing, the Sellers will no longer hold any interest in the Target Company. The Purchaser will hold 67.1% of the total issued share capital of the Target Company, thereby making it a non-wholly owned subsidiary of the Company. Accordingly, the financial results of the Target Company will be consolidated into the Group's financial statements.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is an integrated financing solution provider with operations located primarily in Jinzhong City, Shanxi Province and Beijing, PRC. The Target Company is listed on NASDAQ. The principal business operations of the Target Company include (i) facilitating the financing opportunities of enterprises by acting as a guarantor to secure credit facilities from lending banks and other financial institutions; (ii) providing direct equipment leasing or purchase-lease back services to enterprises, to satisfy their working capital needs; and (iii) providing financial advisory services.

Set out below is selected audited financial information of the Target Group Companies for the financial years ended 30 June 2015 and 30 June 2016, which has been prepared in accordance with U.S. GAAP:

	For the year ended 30 June 2015	For the year ended 30 June 2016
	<i>US\$000</i>	<i>US\$000</i>
	<i>(audited)</i>	<i>(audited)</i>
Net profit before tax	29,220	12,882
Net profit after tax	26,073	12,117

The Target Group Companies had an audited net asset value of approximately US\$237,264,000 and US\$244,055,000 as of 30 June 2015 and 2016 respectively.

REASONS FOR AND BENEFITS OF THE TRANSACTION

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

The Group aims at extending its financial services business in PRC and will continue to pursue new opportunities in the financial services industry to enhance values to the Shareholders. In October 2016, the Group acquired the entire equity interest of a finance leasing company in PRC with a view to developing such business in PRC. The Directors are of the view that the Acquisition represents a good opportunity to further develop its finance leasing business in PRC.

The Board considers that the terms of the Share Purchase Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ABOUT THE SELLER PARTIES

Appelo Limited is a limited liability company incorporated in the British Virgin Islands. Appelo Limited holds 10,080,000 ordinary shares in the Target Company, representing 50.3% of the total issued share capital of the Target Company as at the date of this announcement.

Wits Global Limited is a limited liability company incorporated in the British Virgin Islands. Wits Global Limited holds 3,360,000 ordinary shares in the Target Company, representing 16.8% of the total issued share capital of the Target Company as at the date of this announcement.

Mr. Wang Hong is a PRC national who holds the entire equity interest in each of Appelo Limited and Wits Global Limited.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 25% but is not more than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Accordingly, the Company will seek Shareholders' approval at the EGM by way of poll for the Share Purchase Agreement and the transactions contemplated therein.

Saved as disclosed, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries: (i) each of the Seller Parties is a third party independent of the Company and not a connected person of the Company (as defined in the Listing Rules); (ii) no Shareholder has a material interest in the Share Purchase Agreement and the transactions contemplated thereunder (including without limitation the Acquisition) which is different from that of other Shareholders, and thus no Shareholder is required to abstain from voting on the relevant resolution(s) to approve the Share Purchase Agreement and the transactions contemplated thereunder (including without limitation the Acquisition) at the EGM.

A Circular, containing, among other things, further details of the Acquisition and other information required under the Listing Rules in respect of the Acquisition as well as the notice of the EGM is expected to be despatched to the Shareholders on or before 15 February 2017, which is more than 15 business days after the publication of this announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the Circular.

As the Closing is conditional upon the conditions precedent of the Share Purchase Agreement being satisfied or waived on or before the Long Stop Date, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the sale and purchase of the Sale Shares pursuant to the Share Purchase Agreement
“Adjusted Appelo Payment Amount”	shall have the meaning ascribed to it in the section headed “ <i>Adjusted Purchase Price</i> ”
“Adjusted Wits Payment Amount”	shall have the meaning ascribed to it in the section headed “ <i>Adjusted Purchase Price</i> ”
“Amended and Restated Registration Rights Agreement”	the Amended and Restated Registration Agreement between the Target Company, the Sellers and certain other parties thereto
“Board”	the board of Directors

“Business Day(s)”	any day that is not a Saturday, a Sunday or other day on which banking institutions in the Cayman Islands, the British Virgin Islands, the State of New York or the cities of Beijing, Shanghai or Hong Kong are required by law to be closed
“Circular”	the circular to be despatched by the Company in respect of the Acquisition
“Closing”	closing of the Acquisition pursuant to the Share Purchase Agreement
“Closing Balance Sheet”	a consolidated balance sheet of Target Group Companies as at the close of business on the Measurement Date
“Company”	Freeman FinTech Corporation Limited (Stock Code: 279), formerly known as Freeman Financial Corporation Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Share Purchase Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the date which is the first anniversary of signing the Share Purchase Agreement (if such date falls on a day that is not a Business Day, the next succeeding Business Day) or such date as may be extended by mutual written consent of the Purchaser and the Seller Parties

“Measurement Date”	the last day of the month immediately prior to the month of the Closing
“NASDAQ”	The NASDAQ Stock Market LLC
“PRC”	the People’s Republic of China
"Promissory Note A1"	the promissory note in the principal amount of US\$43,500,000 to be issued by the Company to Appelo Limited as part of the consideration for the Acquisition
"Promissory Note A2"	the promissory note in the principal amount of US\$14,500,000 to be issued by the Company to Wits Global Limited as part of the consideration for the Acquisition
“Promissory Note B1”	the promissory note in the principal amount of US\$52,500,000 to be issued by the Company to Appelo Limited as part of the consideration for the Acquisition
“Promissory Note B2”	the promissory note in the principal amount of US\$17,500,000 to be issued by the Company to Wits Global Limited as part of the consideration for the Acquisition
“Promissory Note C1”	the promissory note to be issued by the Company to Appelo Limited as part of the consideration for the Acquisition, the principal amount of which is the lower of US\$99,000,000 and the Adjusted Appelo Payment Amount
“Promissory Note C2”	the promissory note to be issued by the Company to Wits Global Limited as part of the consideration for the Acquisition, the principal amount of which is the lower of US\$33,000,000 and the Adjusted Wits Payment Amount
“Purchase Price”	the aggregate consideration payable from the Purchaser to the Sellers for the Sale Shares under the Share Purchase Agreement, the amount of which is the lower of (i) US\$260,000,000; or (ii) the Adjusted Purchase Price (as defined in the section headed “ <i>Adjusted Purchase Price</i> ”)

“Purchaser”	Spectacular Bid Limited, a limited liability company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Sale Shares”	10,080,000 ordinary shares of US\$0.0001 each in the issued share capital of the Target Company held by Appelo Limited; and 3,360,000 ordinary shares of US\$0.0001 each in the issued share capital of the Target Company held by Wits Global Limited
“Seller Parties”	Appelo Limited, Wits Global Limited and Mr. Wang Hong
“Sellers”	Appelo Limited and Wits Global Limited, each of which are wholly-owned by Mr. Wang Hong
“Shareholder(s)”	holder(s) of the Shares
“Share Purchase Agreement”	a share purchase agreement dated 13 December 2016 entered into between the Purchaser and the Seller Parties in respect of the Acquisition
“Shares”	ordinary share(s) of HK\$0.001 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Wins Finance Holdings Inc., a company incorporated in the Cayman Islands whose shares are listed on NASDAQ, which is owned as to 50.3% and 16.8% by Appelo Limited and Wits Global Limited, respectively, as at the date of this announcement
“Target Group Companies”	the Target Company and any and all corporations, partnerships, limited liability companies, joint ventures, associations and other entities controlled by the Target Company directly or indirectly through one or more intermediaries, including any variable interest entity controlled by and consolidated with the Target Company
“US\$”	United States dollars, the lawful currency of the United States of America

“U.S. GAAP”

the Generally Accepted Accounting Principles in the United States of America

“%”

per cent.

Hong Kong, 13 December 2016

By Order of the Board
Freeman FinTech Corporation Limited
Yang Haoying
Executive Director

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

Executive Directors:

Mr. Lo Kan Sun (*Chief Operating Officer*)
Mr. Hui Quincy Kwong Hei (*Managing Director*)
Ms. Au Shuk Yee, Sue
Ms. Chow Mun Yee
Mr. Yang Haoying
Mr. Wang Xiaodong
Mr. Zhao Tong

Non-executive Director:

Mr. Zhang Yongdong (*Chairman*)

Independent Non-executive Directors:

Mr. Cheung Wing Ping
Mr. Hung Cho Sing
Dr. Agustin V. Que
Mr. Wu Keli