



**IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION**

CAUSE NO: FSD 314 OF 2020 ()

**IN THE MATTER OF SECTION 86 OF THE COMPANIES ACT (2020 REVISION)
AND IN THE MATTER OF FREEMAN FINTECH CORPORATION LIMITED**

PETITION FOR SCHEME OF ARRANGEMENT

To: The Grand Court of the Cayman Islands

THE HUMBLE PETITION of Freeman FinTech Corporation Limited, an exempted company incorporated with limited liability and registered under the laws of the Cayman Islands with registration number MC-43978, whose registered office is at Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands shows that:

1. The object of this Petition is to seek the sanction of the Court pursuant to section 86 of the Companies Act (2020 Revision) (the “**Companies Act**”) of a proposed scheme of arrangement (the “**Scheme of Arrangement**”) between the petitioner, Freeman FinTech Corporation Limited (the “**Company**”), and the Scheme Creditors, as defined in the explanatory statement dated 16 December 2020 (the “**Explanatory Statement**”).

The Petitioner

2. The Company is an exempted limited liability company incorporated pursuant to the laws of the Cayman Islands on 14 August 1992 with registration number MC-43978. The registered office of the Company is situated at [Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands].
3. On 25 November 1992 the Company was registered in Hong Kong as a non-Hong Kong Company under Part XI of the predecessor Companies Ordinance (Cap.32). The Company’s principal place of business is located at 13/F, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong.
4. Since 11 May 1998, the Company’s shares have been listed on the Main Board of the Hong Kong Stock Exchange (“**SEHK**”) (Stock Code: 279.HK). The Company’s authorised share capital comprises 500,000,000 ordinary shares of HK\$0.01 each, of which 1,868,176,188 are in issue

THIS PETITION was filed by Campbells, attorneys for the Company, whose address for service is Floor 4, Willow House, Cricket Square, PO Box 884, George Town, Grand Cayman KY1-1103, Cayman Islands (Ref: JGM/JMH/19030-33608)

and are fully paid. The objects for which the Company is formed and incorporated are unrestricted.

5. The Company is an investment holding company whose subsidiaries are principally engaged in the provision of financial services to customers in Hong Kong and the People's Republic of China ("**PRC**"). The Company has 73 subsidiaries (the "**Group**") 35 of which are incorporated in Hong Kong, 24 in the British Virgin Islands, 6 in the Cayman Islands and 8 in the PRC.
6. The Company's key operating subsidiaries are all incorporated in Hong Kong and licensed under either the Securities and Future Commission of Hong Kong ("**SFC**") or the Hong Kong Insurance Authority and include (i) Freeman Commodities Limited ("**FCL**"); (ii) Freeman Securities Limited ("**FSL**"); (iii) Freeman Corporate Finance Limited ("**FCFL**"); (iv) Freeman Prestige Wealth Management Limited ("**Freeman Prestige**"); and (v) People Securities Company Limited ("**PSCL**").
7. Pursuant to the latest unaudited accounts of the Company as at 31 July 2020, the Company had total assets of approximately HK\$7.244 million and total liabilities of approximately HK\$3.612 million. Despite the recorded high net book value of assets, these assets are mainly sums due from subsidiaries (representing over 99% of the total assets). Recoverability of these sums is expected to be minimal due to the insolvency of those subsidiaries.
8. Overall, the Group has made substantial impairment losses in the last two years in an aggregate amount of over HK\$2billion. Accordingly, the Company seeks to compromise its liabilities pursuant to the Scheme of Arrangement.

Winding-Up Proceedings

9. On 10 May 2019, a winding-up petition was filed against the Company in the High Court of the Hong Kong Special Administrative Region ("**Hong Kong Court**") on the grounds that the Company was insolvent.
10. On 28 February 2020, Lai Kar Yan (Derek) and Ho Kwok Leung Glen were appointed as joint provisional liquidators ("**JPLs**") of the Company by the Hong Kong Court for the purposes of, *inter alia*, safeguarding the interests of the creditors. That order was subsequently amended on 26 March 2020 at which time the JPLs were empowered by the Hong Kong Court to explore a restructuring of the Company's business and operations and the Company's indebtedness (with the approval of the Hong Kong Court) (the "**HK Appointment Order**").

11. On 28 February 2020, trading of the shares of the Company was suspended at the request of the Hong Kong Stock Exchange (“SEHK”). The Company has until 27 August 2021 to comply with certain requirements and conditions prior to the trading of its shares being permitted to resume (“Resumption Guidance”), failing which the Company’s listing will be cancelled by the SEHK.
12. The SEHK and SFC have also imposed various trading restrictions and limitations on the licensed corporations, which is seriously adversely affecting the operations and financial performance of the Group.
13. The Company has four known secured creditors (i) Cheery Plus Limited, a company incorporated in the BVI; (ii) China Huarong Macau (HK) Investments Holdings Limited, a company incorporated in Hong Kong; (iii) Prosper Talent Limited, a company incorporated in the BVI; and; (iv) Pure Virtue Enterprises Limited, a company incorporated in the BVI (“PVEL”). Over 97% of the Company’s debts are due to the Secured Creditors, all of whom have indicated their support for a restructuring of the Company.
14. The only secured creditor that stands to be paid in full pursuant to its security is Cheery Plus, in circumstances where it holds charges over the shares of the Group’s two most valuable and key operating subsidiaries, FCL and FSL. The other secured creditors hold security that is unlikely to be sufficient to pay off their outstanding debts and, therefore, it is likely there will be residual unsecured claims from the Secured Creditors.
15. It is the unsecured claims (of both secured and unsecured creditors admitted in accordance with the Explanatory Statement) which it is proposed will be compromised through or in connection with the Scheme of Arrangement. The Scheme of Arrangement, therefore, affects a single class of creditors being those with an unsecured claim against the Company on a *pari passu* basis. These are the “Scheme Creditors” defined in the Explanatory Statement.

Scheme of Arrangement

16. The purpose of the Scheme of Arrangement is to compromise the Company’s existing unsecured indebtedness and return the Group to a position of solvency. The JPLs believe that the Scheme of Arrangement will maximise returns to Scheme Creditors compared to returns that they are likely to receive in the event of a liquidation of the Company.

17. The Scheme of Arrangement will principally involve a cash injection from an investor for the benefit of the Scheme Creditors and a debt for equity swap, which will necessitate a restructuring of the share capital of the Company.
18. On 13 August 2020, the Company and the JPLs entered into a term sheet with Radiant Alliance Limited (the “**Investor**”) setting out the terms of the proposed restructuring, which was sanctioned by the Hong Kong Court on 2 September 2020 and formally documented between the Company, the JPLs and the Investor on 10 September 2020 (the “**Proposed Restructuring**”).
19. The key terms of the Proposed Restructuring include:
- (a) provision of an interest-free loan by the Investor in the amount of HK\$161,174,982 (the “**First Loan**”), the proceeds of which are to be used to discharge the debt owed to PVEL in full, in return for the release of the share charges pledged in favour of that secured creditor;
 - (b) provision of interest-free and unsecured loans up to HK\$40 million (in the aggregate) by the Investor for the purpose of meeting the expected costs and expenses of the restructuring (the “**Second Loan**”);
 - (c) a subscription by the Investor for the acquisition of a majority shareholding interest in the Company, in return for a subscription payment of HK\$80 million (“**Subscription**”). These monies, in turn, will be injected into a Scheme of Arrangement for the benefit of and distribution to Scheme Creditors, along with 1,868,176,188 shares of the Company which will be allotted and issued to the Scheme Creditors;
 - (d) parallel schemes of arrangement to be entered into between the Company and the Scheme Creditors to be approved by both the Hong Kong Court and this Court;
 - (e) the cancellation of the entire amount standing to the credit of the share premium account of the Company of approximately HK\$2.78 billion (the “**Share Premium Cancellation**”) to be applied towards offsetting the accumulated deficit of the Company;
 - (f) resumption of trading in the Company’s shares on the SEHK (“**Resumption**”); and
 - (g) the acquisition of the “**Retained Subsidiaries**” (as defined in the Explanatory Memorandum) if the Resumption is not approved by the SEHK (the “**Acquisition**”).

20. This Court made an order on 4 November 2020 recognising the HK Appointment Order and the JPLs' appointment in the Cayman Islands for the purpose of, *inter alia*, permitting them to take all necessary steps in the Cayman Islands on behalf of the Company in respect of the Proposed Restructuring and Cayman Islands scheme of arrangement.

The Scheme of Arrangement and Proposed Restructuring

21. The Proposed Restructuring calls for parallel and inter-conditional schemes of arrangement (the "**Schemes**") as follows:

- (a) by this Petition, and in the form exhibited to the evidence filed in support hereof, a Cayman Islands scheme of arrangement (the "**Scheme**"); and
- (b) in the High Court of Hong Kong (the "**Hong Kong Court**"), an identical scheme of arrangement pursuant to Sections 673 and 674 of the Hong Kong Companies Ordinance (Cap. 622) (the "**HK Companies Ordinance**") between the Company and its creditors (the "**HK Scheme**").

22. Parallel Schemes are necessary because (i) the Company has a principal place of business in Hong Kong; (ii) the JPLs have been appointed pursuant to an order of the Hong Kong Court; (iii) the majority if not all of the creditors of the Company are based in Hong Kong; (iv) the Company has liabilities which are primarily governed by the law of Hong Kong which, as a matter of Hong Kong law, may only be compromised through a scheme of arrangement if that scheme is sanctioned by the Hong Kong Court under the HK Companies Ordinance; and (v) the Company is incorporated in the Cayman Islands.

23. The key terms of the Scheme and Proposed Restructuring are set out in detail in the Explanatory Statement (defined terms are those used in the Explanatory Statement, unless otherwise defined herein). Materially:

- (a) all Scheme Creditors' Claims against the Company shall be fully and finally discharged by virtue of the implementation of the Scheme but without prejudice to the rights of any Creditor to enforce any guarantees or Security Interest against the Scheme Subsidiaries (or any of them);
- (b) the SchemeCo (the special purpose company incorporated by the JPLs to hold certain assets to be made available to Scheme Creditors as part of the Scheme of Arrangement)

shall accept and assume liability in place of the Company for all of the Creditors' Claims, in each case on a limited recourse basis up to the extent of their respective *pari passu* share of the net realisable assets of the SchemeCo (after payment of all costs and expenses) and in accordance with the terms and conditions of the Scheme of Arrangement;

- (c) the Scheme Creditors shall be entitled to receive Dividends pursuant to the Scheme in full and final satisfaction of the Scheme Creditors' Claims against the SchemeCo;
- (d) the Scheme Cash Consideration of HK\$80 million, being the Subscription Proceeds, shall be paid by the Investor upon Completion and made available to the Administrators or the SchemeCo for distribution to the Scheme Creditors under the Scheme;
- (e) 1,868,176,188 of the Company's shares, representing approximately 10% of enlarged issued share capital of the Company upon Completion shall be allotted and issued by the Company to the Administrators or the SchemeCo for the benefit of the Scheme Creditors;
- (f) all the cash, bank balances, receivable (including all intercompany receivable) of the Company (being "Excluded Assets" as defined in the Memorandum) shall be transferred to the Administrators or the SchemeCo for the benefit of the Scheme Creditors;
- (g) the Group Reorganisation shall be completed such that the shares in and assets of the Scheme Subsidiaries shall be transferred and/or assigned to and held by the SchemeCo for realisation; and
- (h) the rights and claims of the Company against third parties, and the benefit of all sums to which the Company is entitled from third parties and/ or insurers in respect of loss or damage to the Company subsisting the Effective Date (i.e. Right Against Third Party) shall be assigned to the SchemeCo or the Administrators (or their nominees) for the purpose of the Scheme.

24. The Company intends to convene a single meeting of the Scheme Creditors, being those unsecured and secured creditors with unsecured claims voting together as a single class to seek approval of the Scheme (the "**Scheme Meeting**").

25. The Company proposes to convene the Scheme Meeting in accordance with section 86 of the Companies Act to be held on or around January or February 2020 (with such amendment(s) as may be approved at the Scheme Meeting) will be considered:

That the Scheme of Arrangement (a copy of which has been produced to this Scheme Meeting and, for the purpose of identification signed by the chairman of this Scheme Meeting), or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, be and is hereby approved.

26. If the requisite voting majorities of the one class of Scheme Creditors is obtained at the Scheme Meeting, the Company will seek an order sanctioning the Scheme.

THE PETITIONER THEREFORE PRAYS THAT UPON THE SCHEME (WITH OR WITHOUT MODIFICATION) BEING APPROVED BY THE REQUISITE MAJORITIES OF SCHEME CREDITORS AT THE COURT

27. That the Scheme be sanctioned pursuant to section 86(2) of the Companies Act so as to be binding on each party thereto in accordance with its terms.

28. To this end, all necessary inquiries may be made and directions may be made and given.

29. Such further or other relief as the Court sees fit.

YOUR PETITIONER WILL EVER PRAY ETC.

Dated this 16th day of December 2020



CAMPBELLS
Attorneys for the Company

NOTICE OF HEARING

TAKE NOTICE THAT the hearing of this Petition will take place at the Law Courts, George Town, Grand Cayman, on 21 December 2020 at 8am.

Any correspondence or communication with the Court relating to the hearing of this Petition should be addressed to the Registrar of the Financial Services Division of the Grand Court at PO Box 495, Grand Cayman KY1-1106, telephone 1 345 949 4296.