

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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MERDEKA

MERDEKA MOBILE GROUP LIMITED
(萬德移動集團有限公司*)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8163)

**CONNECTED TRANSACTION:
AMENDMENTS TO THE TERMS AND CONDITIONS
OF THE CONVERTIBLE BONDS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent financial adviser to
the Independent Board Committee and the Independent Shareholders**



高銀融資有限公司

GOLDIN FINANCIAL LIMITED

A letter from the Independent Board Committee is set out on pages 14 to 15 of this circular.

A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 27 of this circular.

A notice convening the EGM to be held on Friday, 19 September 2014 at 11:00 a.m. at Jasmine Room, 3/F., Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong is set out on pages 33 to 34 of this circular. Whether or not you are able to attend and/or vote at the EGM in person, you are requested to complete the enclosed form of proxy and return it to the office of the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“associates”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds
“Company”	Merdeka Mobile Group Limited, a company incorporated in the Cayman Islands, whose issued Shares are listed on GEM
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Conversion Price”	the proposed new conversion price of HK\$0.0462 per Conversion Share under the Proposed Terms, which will be subject to adjustment under the terms and conditions of the Convertible Bonds
“Conversion Restriction”	the original restriction on the conversion of the Convertible Bonds that any Bondholder(s) cannot convert any principal amount of the Convertible Bonds into Conversion Shares if, upon such conversion, any Bondholder and parties acting in concert with it shall be interested in 30% (or such amount as may from time to time be specified in the Takeovers Codes as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of the Company at the date of the relevant conversion pursuant to the Convertible Bonds
“Conversion Share(s)”	new Share(s) to be issued by the Company upon exercise of the conversion rights attached to the Convertible Bonds by the Bondholders
“Convertible Bond(s)”	the zero coupon convertible bonds due 2014 issued by the Company on 12 August 2008 (as amended by a supplemental deed dated 30 May 2011)
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Second Supplemental Deed and the transaction contemplated thereunder including the Proposed Terms, and the grant of the Specific Mandate
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“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
“Independent Board Committee”	an independent board committee of the Company comprising Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth, all are Independent non-executive Directors, to advise the Independent Shareholders in relation to the transaction contemplated under the Second Supplemental Deed including the Proposed Terms and the Specific Mandate
“Independent Financial Adviser”	Goldin Financial Limited, a corporation licensed to carry out business in type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the transaction contemplated under the Second Supplemental Deed including the Proposed Terms and the Specific Mandate
“Independent Shareholder(s)”	Shareholder(s) other than Mr. Cheung, Ivana and their respective associates
“Ivana”	Ivana Investments Limited, being an investment holding company, the entire issued shares of which are held by Mr. Cheung, and is one of the Bondholders

DEFINITIONS

“Latest Practicable Date”	29 August 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Committee”	has the meaning ascribed to this term under the GEM Listing Rules
“Mr. Cheung”	Mr. Cheung Wai Yin, Wilson, an executive Director, Chairman and the Chief Executive Officer of the Company
“Proposed Terms”	together (a) the proposed extension of the maturity date of the Convertible Bonds for a further three years from 12 August 2014 to 12 August 2017; and (b) the proposed revision of the conversion price of the Convertible Bonds from HK\$4.00 per Conversion Share to HK\$0.0462 per Conversion Share
“Second Supplemental Deed”	the supplemental deed dated 9 July 2014 and entered into between the Company and the Bondholders in respect of the Proposed Terms
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Specific Mandate”	the specific mandate to allot and issue the Conversion Shares at the Conversion Price to be sought from the Independent Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers
“Vendor”	Merdeka Commodities Limited, the vendor to the acquisition by the Group of forest Concessions in Papua, Indonesia as announced on 23 October 2007
“%”	percentage or per centum

LETTER FROM THE BOARD



MERDEKA

MERDEKA MOBILE GROUP LIMITED

(萬德移動集團有限公司*)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8163)

Executive Directors:

Mr. Cheung Wai Yin, Wilson

(Chairman and Chief Executive Officer)

Mr. Lau Chi Yan, Pierre *(Managing Director)*

Non-executive Director:

Mr. Wong Chi Man

Independent non-executive Directors:

Ms. Yeung Mo Sheung, Ann

Mr. Ng Kay Kwok

Mr. Yip Kat Kong, Kenneth

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

British West Indies

*Head office and principal place
of business in Hong Kong:*

Room 1502

Chinachem Century Tower

178 Gloucester Road

Wanchai, Hong Kong

3 September 2014

To the Shareholders

Dear Sir or Madam

**CONNECTED TRANSACTION:
AMENDMENTS TO THE TERMS AND CONDITIONS
OF THE CONVERTIBLE BONDS**

INTRODUCTION

Reference is made to the announcement of the Company dated 9 July 2014. As disclosed in the announcements of the Company dated 23 October 2007, 30 May 2011 and 4 July 2011, and the circulars (the “Circulars”) of the Company dated 30 May 2008 and 15 June 2011 respectively, on 12 August 2008, the Company issued the Convertible Bonds in the aggregate principal amount of HK\$776,880,000 convertible into Shares at the initial conversion price of HK\$0.10 per Conversion Share (subject to adjustment as provided in the terms and conditions of the Convertible Bonds) to the Vendor as part of the consideration for the acquisition of forest Concessions in Papua, Indonesia.

* *for identification purposes only*

LETTER FROM THE BOARD

The Convertible Bonds are unsecured, interest-free with the original maturity date on 12 August 2011. Unless converted into Shares, the outstanding principal amount of the Convertible Bonds would be redeemed by the Company in full on maturity.

By the supplemental deed dated 30 May 2011 which was subsequently approved by the then Shareholders at an extraordinary general meeting held on 4 July 2011, the maturity date of the Convertible Bonds has been extended for 3 years from 12 August 2011 to 12 August 2014. Upon becoming effective of the supplemental deed, the Company may at any time during the period commencing from 12 August 2011 to 12 August 2014 to redeem the whole or part of the outstanding Convertible Bonds on a pro rata basis. Also, the Conversion Restriction was removed. Apart from the extension of the maturity date and the conversion period, the early redemption right and the removal of the Conversion Restriction, all other terms of the Convertible Bonds remain unchanged. As a result, all outstanding Convertible Bonds has become mature on 12 August 2014.

The conversion price of HK\$0.10 per Conversion Share was adjusted to HK\$4.00 per Conversion Share as a result of the share consolidation of 40 shares into 1 share effective on 26 March 2013.

As at the Latest Practicable Date, the aggregate outstanding principal amount of the Convertible Bonds was HK\$124,068,000 which is legally and beneficially owned by three Bondholders. The Bondholders are Ivana, Mr. Jin Xiaobin and Mr. Shang Xiaodong. To the best information, knowledge and belief of the Directors after making necessary enquiry, other than Ivana, each of Bondholders is an independent third party not connected with the Company and its connected persons. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the existing Bondholders is connected to the Vendor.

For further details of the Convertible Bonds, please refer to the Circulars.

The purpose of this circular is to provide you with, among other things, details of the Convertible Bonds, the Proposed Terms, the letters from the Independent Board Committee and the Independent Financial Adviser and the notice convening the EGM for the Independent Shareholders to consider and, if thought fit, to approve the resolution in relation to the Second Supplemental Deed and the transactions contemplated thereunder including the granting of the Specific Mandate.

THE SECOND SUPPLEMENTAL DEED

On 9 July 2014, the Company and all the Bondholders entered into the Second Supplemental Deed to (a) extend the maturity date of the Convertible Bonds for a further three years to 12 August 2017; and (b) revise the conversion price of the Convertible Bonds from HK\$4.00 per Share to HK\$0.0462 per Share.

As at the Latest Practicable Date, the Company has obtained written consents from all the Bondholders to the Proposed Terms as well as their confirmations that each of them will not call for repayment within 12 months from March 2014.

LETTER FROM THE BOARD

The Second Supplemental Deed is conditional upon the following conditions:

- (a) the Stock Exchange granting its approval for the Proposed Terms;
- (b) the passing of an ordinary resolution by the Independent Shareholders at the EGM to be convened approving the Second Supplemental Deed and the transactions contemplated thereunder;
- (c) the passing of an ordinary resolution by the Independent Shareholders at the EGM to be convened granting the Specific Mandate; and
- (d) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares to be issued upon exercise of the conversion rights attached to the outstanding Convertible Bonds.

The Proposed Terms will take effect as from 12 August 2014 subject to all the conditions of the Second Supplemental Deed having been fulfilled. None of the above conditions are waivable. If any of the conditions above are not fulfilled by 30 September 2014, the parties to the Second Supplemental Deed will not be bound to proceed with the transactions contemplated under the Second Supplemental Deed and the Second Supplemental Deed will cease to have any effect. As at the Latest Practicable Date, none of the above condition has been fulfilled.

For the avoidance of doubt, upon the Second Supplemental Deed becoming effective, since the Proposed Terms will take effect as from 12 August 2014, the Company will not be subject to any legal liability for the non-redemption of the Convertible Bonds for the period after 12 August 2014 and before the fulfillment of the conditions of the Second Supplemental Deed. On the other hand, in the event that the Proposed Terms are not approved and the alternation of the terms of the Convertible Bonds did not materialise, the Bondholders may claim against the Company for redemption of the outstanding Convertible Bonds since their written consents as mentioned in the section headed "The Second Supplemental Deed" above are not irrevocable and as far as the Company understands, the giving of the written consents were on the presumption that the Proposed Terms will become effective within a reasonable time.

Apart from the Proposed Terms, all other terms of the Convertible Bonds remain unchanged. A summary of the principal terms of the Convertible Bonds as adjusted by the Proposed Terms is as follows:

Issuer:	The Company
Outstanding Principal Amount at the Latest Practicable Date:	HK\$124,068,000
Interest:	Zero coupon
Conversion Period:	Subject to the restrictions specified below, Bondholders shall be entitled to convert the Convertible Bonds into the Conversion Shares at any time during the period commencing from the date of issue of the Convertible Bonds until the date that falls on the fifth day immediately before the maturity date.

LETTER FROM THE BOARD

Restrictions in conversion: There is no right for any Bondholder(s) to convert any principal amount of the Convertible Bonds held by the Bondholder(s) and the Company shall not issue any Conversion Shares thereof if, upon such conversion and issue of the Conversion Shares, the Company will be in breach of the minimum public float requirement as stipulated under Rule 11.23 of the GEM Listing Rules. Save for the above, there is no other restriction on conversion, and the original Conversion Restriction has been removed by the supplemental deed dated 30 May 2011.

Conversion Price: Upon the Second Supplemental Deed taking effect, the Conversion Price would be HK\$0.0462 per Conversion Share, subject to customary adjustments, among other things, sub-divisions and consolidations of the Shares, in accordance with the terms and conditions of the Convertible Bonds.

The Conversion Price represents:

- (i) a premium of approximately 2.67% over the closing price of HK\$0.045 per Share as quoted on the Stock Exchange on 9 July 2014, being the date of the Second Supplemental Deed;
- (ii) the average of the closing prices of HK\$0.0462 per Share as quoted on the Stock Exchange for the last five trading days immediately preceding and ended on 9 July 2014; and
- (iii) a premium of approximately 44.38% over the closing price of HK\$0.032 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Conversion Price was determined by way of arm's length negotiations between the parties by reference to the recent trading performance of the Shares on the Stock Exchange.

Early Redemption: The Company may at any time during the period commencing from the date of issue of the Convertible Bonds to the maturity date of the Convertible Bonds to redeem the whole or part of the outstanding Convertible Bonds of the Bondholder(s) on a pro rata basis.

LETTER FROM THE BOARD

Ranking of Conversion Shares:	Conversion Shares will rank pari passu in all respects with the Shares then in issue on the relevant conversion date.
Maturity Date:	The date falling on the ninth (9th) anniversary of the issue date, such date being a business day and if such date not being a business day, the immediately next business day. Unless previously converted or cancelled under the terms and conditions of the Convertible Bonds, each Convertible Bond shall be redeemed by the Company at their principal amount on the maturity date. Upon the Second Supplemental Deed taking effect, the maturity date of the Convertible Bonds would be 12 August 2017.
Voting Rights:	The Bondholders shall not have any right to attend or vote in any general meeting of the Company by virtue of their being Bondholders.
Transferability:	The Convertible Bonds are transferable from the date of issue of the Convertible Bonds until the date that falls on the tenth day before the maturity date, subject to the terms and conditions of the Convertible Bonds.
Status:	General, unsecured obligations of the Company ranking equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for the obligations accorded preference by mandatory provisions of applicable laws.
Listing:	No application will be made for the listing of the Convertible Bonds. Application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares to be allotted and issued upon excising of the conversion rights attaching to the Convertible Bonds.

Assuming the outstanding Convertible Bonds are fully converted at the Conversion Price of HK\$0.0462 per Conversion Share, a maximum of 2,685,454,545 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the outstanding Convertible Bonds in full, which represents: (i) approximately 87.64% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 46.71% of the issued share capital of the Company as to be enlarged by the issue of the 2,685,454,545 Conversion Shares (assuming there being no other issue or repurchase of Shares). According to the existing terms and condition of the Convertible Bonds, a Bondholder shall have the right to convert the Convertible Bonds into Shares provided that the public float of the Shares shall not be less than 25% (or any given percentage as required by the GEM Listing Rules) of the issued Shares at any one time in compliance with the GEM Listing Rules.

The Conversion Shares will be issued under the Specific Mandate to be sought at the EGM.

LETTER FROM THE BOARD

REASONS FOR THE SECOND SUPPLEMENTAL DEED

The Company does not have sufficient funds to fully redeem all the Convertible Bonds prior to their maturity. As such, the Company intends to extend the maturity of the Convertible Bonds. The Proposed Terms effectively allows the Group to refinance the debts under the Convertible Bonds under substantially the same financial terms for a further three-year period. Since the Convertible Bonds bears zero coupon, it will not incur any interest burden for the Group during the term of the Convertible Bonds. Moreover, in light of the prevailing market price of the shares and taking into account the share consolidation conducted by the Company in early 2013, the Company and the Bondholders consider that it will be fair and reasonable to each other to revise the Conversion Price so as to bring the Conversion Price in line with the recent market price of the Shares. Save for the Proposed Terms, other terms and conditions of the Convertible Bonds remain unchanged.

The Board has also considered other financing alternatives to raise funds to repay the Convertible Bonds in full. As disclosed in the circular of the Company dated 28 May 2014 in relation to the rights issue, part of the fund raised will be applied for partial redemption of the outstanding Convertible Bonds, while the remaining net proceeds from the rights issue will be applied for strengthening the general working capital base of the Company to finance its business development and/or to finance any future investment opportunities. On the other hand, taking into account the scale of the right issue just conducted, the Company considered that further fund raising by way of issuing of new Shares will inevitably cause dilution effect on the shareholdings of the existing Shareholders, while fund raising by further debt financing might cause undesirable impact on the gearing ratio of the Company. The Board therefore considered that extension of the maturity of the Convertible Bonds by way of the Proposed Terms brings the least burden and impact on the financial performance of the Company, and therefore considered it a means preferable to other financing alternatives.

The Board (excluding Mr. Cheung, the ultimate beneficial owner of Ivana who has material interest in the Proposed Terms and has abstained from voting in the Board meeting for approving the Second Supplemental Deed and the Proposed Terms, and the independent non-executive Directors who formed their views as set out in the Letter from the Independent Board Committee in this circular after considering the advice of the Independent Financial Adviser) considers that the terms and conditions of the Second Supplemental Deed (including the Conversion Price) are fair and reasonable and the Proposed Terms are in the interests of the Company and the Shareholders as a whole. No proceeds will be raised by the Company as a result of the Proposed Terms becoming effective. Save for disclosed above, no other Director has any interest in the Proposed Terms and need to abstain in the voting of the related Board resolutions.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

The shareholding structure of the Company as at the Latest Practicable Date and immediately after the full conversion of the outstanding Convertible Bonds at the Conversion Price (assuming there being no other issue or repurchase of Shares) is as follows:

	As at the		Immediately after	
	Latest Practicable Date		the full conversion of the outstanding Convertible Bonds at the Conversion Price (Note 3)	
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
Shareholders				
Cheung Wai Yin, Wilson (Note 1)	263,987,500	8.62	2,644,939,880	46.00
Lau Chi Yan, Pierre (Note 2)	10,625,000	0.35	10,625,000	0.18
Total Non-public Shareholders	274,612,500	8.97	2,655,564,880	46.18
Bondholders (other than Ivana)	0	0.00	304,502,164	5.30
Other public Shareholders	2,789,638,575	91.04	2,789,638,576	48.52
 Total	 3,064,251,075	 100.00	 5,749,705,620	 100.00

Notes:

1. The interests disclosed includes 262,500,000 Shares held by Ivana, which is wholly owned by Mr. Cheung. The remaining 1,487,500 Shares are held by Mr. Cheung personally. Given the fact that the Conversion Restriction has been removed previously, there is a scenario in which Mr. Cheung will hold more than 30% of the entire issued share capital of the Company at the relevant time upon full conversion of the outstanding Convertible Bonds held by Ivana. The Company was informed by Mr. Cheung that in such event he will be subject to the Takeovers Code and will apply for a whitewash waiver pursuant to the rules thereunder, while at the moment he has no intention to, during any period before the outstanding Convertible Bonds held by Ivana were fully redeemed, convert such Convertible Bonds to the extent that he and/or Ivana will be subject to the obligations under the Takeovers Code to conduct a mandatory cash offer for the issued Shares held by the other Shareholders.
2. Mr. Lau Chi Yan, Pierre is the Managing Director of the Company.
3. There is no right for any Bondholder(s) to convert any principal amount of the Convertible Bonds held by the Bondholder(s) and the Company shall not issue any Conversion Shares thereof if, upon such conversion and issue of the Conversion Shares, the Company will not be able to comply with the minimum public float requirement as stipulated under Rule 11.23 of the GEM Listing Rules.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN PAST TWELVE MONTHS

Apart from the fund raising activity mentioned below, the Company had not conducted any other fund raising activities in the past 12 months immediately preceding the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
6 December 2013	(i) Placing of new Shares under general mandate	HK\$6.58 million	Approximately HK\$3 million for the expansions of trading business and information technology business; approximately HK\$1.58 million for general working capital and approximately HK\$2 million for financing future investment opportunities	Approximately HK\$3 million has been used for the expansions of trading business and information technology business; approximately HK\$1.58 million has been used for the redemption of the Convertible Bonds; and approximately HK\$2 million has been used for general working capital
	(ii) Placing of new Shares under specific mandate	HK\$22.55 million	Approximately HK\$2.25 million for the expansions of trading business; approximately HK\$6.77 million for the information technology business and approximately HK\$13.53 million for general working capital	Approximately HK\$13.50 million has been used for the redemption of the Convertible Bonds; approximately HK\$2.2 million for the expansions of trading business; approximately HK\$4.4 million for the information technology business; and approximately HK\$2.45 million for general working capital
21 February 2014	Placing of new Shares under general mandate	HK\$12.56 million	For general working capital to finance its business development and/or to finance any future investment opportunities	Approximately HK\$3 million has been used for the expansions of trading business; and approximately HK\$2 million has been used for general working capital and the remaining is deposited in bank
11 April 2014	Rights issue on the basis of four rights shares for every one share held on the record date	HK\$93.56 million	(i) at least half of the net proceeds from the rights issue will be applied for the partial redemption of the Convertible Bonds; (ii) the remaining net proceeds from the rights issue will be applied for strengthening the general working capital base of the Company to finance its business development and/or to finance any future investment opportunities	Approximately HK\$53.81 million has been used for the partial redemption of the Convertible Bonds; the remaining is deposited in bank

LETTER FROM THE BOARD

GEM LISTING RULES IMPLICATIONS

Pursuant to Rule 22.03 of the GEM Listing Rules, any alterations in the terms of convertible equity securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible equity securities.

As at the Latest Practicable Date, Mr. Cheung and Ivana together hold 263,987,500 Shares representing 8.62% of the issued share capital of the Company. As Ivana is a company controlled and owned by Mr. Cheung, Ivana is a connected person of the Company under the GEM Listing Rules. The Proposed Terms to be effected by the Second Supplemental Deed between the Company and Ivana constitutes a connected transaction on the part of the Company. Therefore, the Proposed Terms are subject to reporting and announcement requirements, as well as approval by the Independent Shareholders at the EGM under the GEM Listing Rules. The Independent Board Committee has been established and Goldin Financial Limited has been appointed as Independent Financial Adviser to advise the Independent Shareholders and the Independent Board Committee in respect of the Proposed Terms. Mr. Cheung and Ivana together with their respective associates will abstain from voting in respect of the resolution approving the Second Supplemental Deed and the transactions contemplated thereunder including the grant of the Specific Mandate at the EGM.

Application will be made to the Stock Exchange for its approval of: (i) the Proposed Term; and (ii) the listing of, and permission to deal in, the Conversion Shares arising from the conversion of the outstanding Convertible Bonds.

INFORMATION ON THE GROUP AND IVANA

The Group is principally engaged in forestry business, plantation business and trading business, including the trading of various brands of milk powder products to customers based in Hong Kong and information technology business.

Ivana is an investment holding company. To the best knowledge of the Directors, apart from the holding of 8.62% shareholding in the Company and the Convertible Bonds in the principal amount of HK\$110,000,000, Ivana does not have any other significant business activities.

EGM

The notice convening the EGM is set out on pages 33 to 34 of this circular. The EGM will be convened on Friday, 19 September 2014 at 11:00 a.m. at Jasmine Room, 3/F., Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong for the purpose of, considering and, if thought fit, approving the Second Supplemental Deed and the transactions contemplated thereunder and the Specific Mandate.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

In compliance with the GEM Listing Rules, the votes to be taken at the EGM in respect of the Second Supplemental Deed and the transactions contemplated thereunder and the Specific Mandate will be taken by poll.

RECOMMENDATION

The Board (excluding Mr. Cheung but including the independent non-executive Directors who have given their view in the Letter from the Independent Board Committee after having taken into account the advice of the Independent Financial Adviser) considers that (i) the terms of the Second Supplemental Deed are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Proposed Terms are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed in the EGM to approve the Second Supplemental Deed and the transactions contemplated thereunder including the Proposed Terms and the granting of the Specific Mandate.

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 14 to 15 of this circular which contains recommendations of the Independent Board Committee to the Independent Shareholders regarding the Second Supplemental Deed and the transactions contemplated thereunder including the Proposed Terms and the Specific Mandate; and (ii) the letter from the Independent Financial Adviser set out on pages 16 to 27 of this circular which contains its advices to the Independent Board Committee and the Independent Shareholders regarding the Second Supplemental Deed and the transactions contemplated thereunder including the Proposed Terms and the Specific Mandate and the principal factors and reasons considered by the Independent Financial Adviser in arriving at its opinions.

Additional information is also set out in the Appendix of this circular for your information.

By order of the Board of
Merdeka Mobile Group Limited
Cheung Wai Yin, Wilsoon
Chairman and Chief Executive Officer



MERDEKA

MERDEKA MOBILE GROUP LIMITED

(萬德移動集團有限公司*)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8163)

3 September 2014

To the Independent Shareholders

Dear Sir or Madam

**CONNECTED TRANSACTION:
AMENDMENTS TO THE TERMS AND CONDITIONS
OF THE CONVERTIBLE BONDS**

We refer to the circular dated 3 September 2014 issued by the Company (the “Circular”) of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as the members of the Independent Board Committee to consider the Second Supplemental Deed and the transactions contemplated thereunder including the Proposed Terms and the Specific Mandate and to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Second Supplemental Deed. Goldin Financial Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, as set out on pages 16 to 27 of the Circular, which contains its advices in respect of the Second Supplemental Deed and transactions contemplated thereunder including the Proposed Terms and the Specific Mandate, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration in giving such advice. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

* *for identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having considered the terms of the Second Supplemental Deed, the transactions contemplated thereunder and taking account of the independent advice of the Independent Financial Adviser and the relevant information contained in the letter from the Board, we are of the opinion that (i) the terms of the Second Supplemental Deed are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Proposed Terms and the granting of the Specific Mandate are in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Second Supplemental Deed and the transactions contemplated thereunder including the Proposed Terms and the granting of the Specific Mandate.

Yours faithfully
For and on behalf of
Independent Board Committee

Mr. Ng Kay Kwok
*Independent non-executive
Director*

Ms. Yeung Mo Sheung Ann
*Independent non-executive
Director*

Mr. Yip Kat Kong, Kenneth
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Goldin Financial Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Second Supplemental Deed and the transactions contemplated thereunder including the Proposed Terms and the granting of the Specific Mandate.



高銀融資有限公司
GOLDIN FINANCIAL LIMITED

Goldin Financial Limited
23/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

3 September 2014

*To the Independent Board Committee and
the Independent Shareholders of
Merdeka Mobile Group Limited*

Dear Sirs,

CONNECTED TRANSACTIONS: AMENDMENTS TO THE TERMS AND CONDITIONS OF THE CONVERTIBLE BONDS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Second Supplemental Deed and the transactions contemplated thereunder including the Proposed Terms and the granting of the Specific Mandate, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to its Shareholders dated 3 September 2014 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

On 9 July 2014, the Company and the Bondholders entered into the Second Supplemental Deed, pursuant to which the Company and the Bondholders agreed to amend certain terms and conditions of the Convertible Bonds. All other terms of the Convertible Bonds shall remain unchanged and valid.

Pursuant to Rule 22.03 of the GEM Listing Rules, any alterations in the terms of convertible equity securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible equity securities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Mr. Cheung and Ivana together hold 263,987,500 Shares representing 8.62% of the issued share capital of the Company. As Ivana is a company controlled and owned by Mr. Cheung, Ivana is a connected person of the Company under the GEM Listing Rules. The Proposed Terms to be effected by the Second Supplemental Deed constitutes a connected transaction on the part of the Company. Therefore, the Proposed Terms are subject to reporting and announcement requirements, as well as approval by the Independent Shareholders at the EGM under the GEM Listing Rules. Mr. Cheung and Ivana together with their respective associates will abstain from voting in respect of the resolution(s) approving the Second Supplemental Deed and the transactions contemplated thereunder including the Proposed Terms and the granting of the Specific Mandate at the EGM.

THE INDEPENDENT BOARD COMMITTEE

Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth, the independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Second Supplemental Deed and the transactions contemplated thereunder including the Proposed Terms and the granting of the Specific Mandate are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

We, Goldin Financial Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Second Supplemental Deed and the transactions contemplated thereunder including the Proposed Terms and the granting of the Specific Mandate, and to make recommendations as to, among others, whether the terms and conditions of the Second Supplemental Deed are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole and as to voting in respect of the relevant resolutions at the EGM.

As at the Latest Practicable Date, Goldin Financial Limited did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Goldin Financial Limited. In the last two years, Goldin Financial Limited has acted as an independent financial adviser to the independent board committee and independent shareholders of the Company in relation to (i) the rights issue on a basis of four rights share for every one existing share held on the then record date (details of which were set out in the circular of the Company dated 28 May 2014) (the “**Rights Issue**”); and (ii) the refreshment of general mandate (details of which were set out in the circular of the Company dated 13 January 2014). Apart from normal professional fees paid to us in connection with such appointment, no arrangements exist whereby we had received any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR ADVICE

In formulating our opinion and recommendations, we have reviewed, inter alia, the Second Supplemental Deed, the annual report of the Company for the year ended 31 December 2013 (the “**Annual Report 2013**”) and the interim report of the Company for the six months ended 30 June 2014 (the “**Interim Report 2014**”). We have also reviewed certain information provided by the management of the Company relating to the operations and financial condition of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the terms of the Second Supplemental Deed. We have assumed that such information and statements, and any representation made to us, which we have relied upon them in formulating our opinion, are true, accurate and complete in all material respects as of the date hereof and the Shareholders will be notified of any material changes in respect of the Second Supplemental Deed as soon as possible.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement herein or in the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of, and reasons for, the Second Supplemental Deed to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or any material information given to us is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Second Supplemental Deed, and this letter, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Second Supplemental Deed, we have taken into consideration the following factors and reasons:

1. Background of and reasons for entering into the Second Supplemental Deed

The Group is principally engaged in forestry business, plantation business and trading business, including the trading of various brands of milk powder products to customers based in Hong Kong and information technology business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

References are made to the announcements of the Company dated 23 October 2007, 30 May 2011 and 4 July 2011 and the circulars of the Company dated 30 May 2008 and 15 June 2011. On 12 August 2008, the Company issued the Convertible Bonds with an aggregate principal amount of HK\$776.88 million convertible into Shares at the initial conversion price of HK\$0.10 per Conversion Share (subject to adjustment as provided in the terms and conditions of the Convertible Bonds) to the Vendor, as part of the consideration for the acquisition of forest concession in Papua, Indonesia. The Convertible Bonds are unsecured, interest-free with the original maturity date on 12 August 2011. Unless converted into Shares, the outstanding principal amount of the Convertible Bonds would be redeemed in full on maturity by the Company.

By the supplemental deed dated 30 May 2011 which was subsequently approved by the then Shareholders at an extraordinary general meeting held on 4 July 2011, the maturity date of the Convertible Bonds has been extended for 3 years from 12 August 2011 to 12 August 2014. Upon becoming effective of the supplemental deed, the Company may at any time during the period commencing from 12 August 2011 to 12 August 2014 to redeem the whole or part of the outstanding Convertible Bonds on a pro rata basis. Also, the Conversion Restriction was removed. Apart from the extension of the maturity date and the conversion period, the early redemption right and the removal of the Conversion Restriction, all other terms of the Convertible Bonds remain unchanged. As a result, all outstanding Convertible Bonds has become mature on 12 August 2014.

The initial conversion price of HK\$0.10 per Conversion Share was adjusted to HK\$4.00 per Conversion Share as a result of the share consolidation of 40 Shares into 1 Share, effective on 26 March 2013.

As disclosed in the Annual Report 2013, we noted that the current assets of the Group amounted to approximately HK\$39.36 million as at 31 December 2013, comprising prepayments and deposits of approximately HK\$29.17 million, cash and bank balances of approximately HK\$7.9 million and trade receivables of approximately HK\$2.3 million. The current liabilities of the Group amounted to approximately HK\$190.05 million as at 31 December 2013, comprising the Convertible Bonds of approximately HK\$187.47 million, other payables and accruals of approximately HK\$1.29 million, bank borrowings of approximately HK\$0.36 million and trade payables of approximately HK\$0.92 million. Accordingly, the net current liabilities of the Group as at 31 December 2013 were HK\$150.69 million. Based on the independent auditors report from the Annual Report 2013, we note that such conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, given that as of 24 March 2013 being the date of the Annual Report 2013, the Company has obtained written confirmation from a majority of the Bondholders that they will not call for repayment till March 2015 (the "**Written Confirmation**"), financial statements of the Group have been prepared on a going concern basis.

Referring to the Interim Report 2014, the current assets of the Group amounted to approximately HK\$44.16 million as at 30 June 2014, comprising prepayments and deposits of approximately HK\$25.75 million, cash and bank balances of approximately HK\$9.25 million and trade receivables of approximately HK\$7.52 million. The current liabilities of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Group amounted to approximately HK\$182.48 million as at 30 June 2014, comprising the Convertible Bonds of approximately HK\$178.51 million, other payables and accruals of approximately HK\$1.66 million, bank borrowings of approximately HK\$0.26 million and trade payables of approximately HK\$1.99 million. Accordingly, the net current liabilities of the Group as at 30 June 2014 were HK\$138.32 million.

As at the Latest Practicable Date, the aggregate outstanding principal amount of the Convertible Bonds is HK\$124,068,000 which was legally and beneficially owned by three Bondholders. The Bondholders are Ivana, Mr. Jin Xiaobin and Mr. Shang Xiaodong. To the best information, knowledge and belief of the Directors after making necessary enquiry, other than Ivana, each of the Bondholders is an independent third party not connected with the Company and its connected persons. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the existing Bondholders is connected to the Vendor.

As at the Latest Practicable Date, the Company has obtained written consents from all the Bondholders to the Proposed Terms as well as their confirmations that each of them will not call for repayment within 12 months from March 2014.

Upon the Second Supplemental Deed becoming effective, since the Proposed Terms will take effect as from 12 August 2014, the Company will not be subject to any legal liability for the non-redemption of the Convertible Bonds for the period after 12 August 2014 and before the fulfillment of the conditions of the Second Supplemental Deed. On the other hand, in the event that the Proposed Terms are not approved and the alternation of the Convertible Bonds did not materialise, the Bondholders may claim against the Company for redemption of the outstanding Convertible Bonds since their written consents as mentioned in the section headed "The Second Supplemental Deed" in the Letter from the Board are not irrevocable and as far as the Company understands, the giving of the written consents were on the presumption that the Proposed Terms will become effective within a reasonable time.

As advised by the management of the Company, in the event that the Group does not enter into the Second Supplemental Deed, taking into account the significant premium of the conversion price of HK\$4.00 over the current market price of the Shares, it is unlikely that the Bondholders will convert the Convertible Bonds into shares of the Company and the Company will be required to repay the Convertible Bonds upon expiry of the Written Confirmation in March 2015. As stated in the circular of the Company dated 30 May 2008, the initial conversion price of HK\$0.10 per Conversion Share (which was adjusted to HK\$4.00 per Conversion Share as a result of the share consolidation of 40 Shares into 1 Share, effective on 26 March 2013) was determined with reference to, among other things, the then price performance of the Shares prior to the entering into of the initial subscription agreement dated 4 October 2007. As the Share price has changed substantially since the entering into of the initial subscription agreement dated 4 October 2007 and the conversion price of HK\$4.00 per Conversion Share represents a premium of approximately 8,788.9% over the closing Share price of HK\$0.045 per Share on the date of the Second Supplemental Deed, we are of the view that it is fair and reasonable to revise the conversion price of the Convertible Bonds taking into the current Share price and the current market conditions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company does not have sufficient funds to fully redeem all the Convertible Bonds prior to their maturity. As such, the Company intends to extend the maturity of the Convertible Bonds. The entering into of the Second Supplemental Deed effectively allows the Group to refinance the debts under the Convertible Bonds under substantially the same financial terms during the term of the Convertible Bonds. In view of the current liabilities of Group, the Group has conducted a series fund raising activities in the past 12 months (details of which were set out in section headed "Fund raising activity in past twelve months" in the Letter from the Board). As advised by the management of the Company, despite the improvement in the financial position of the Group after the completion of the aforesaid fund raising activities, in light of the volatile global market conditions and major economies such as the USA and the Euro zone still being on their way to recovery, indications of slowing growth in the PRC's economy and the bank balance and cash position of the Group as at 31 December 2013 and as at 30 June 2014 and that the Convertible Bonds is interest-free, it is in the interest of the Company and its Shareholders to extend the maturity of the Convertible Bonds and conserve the financial resources for the development of the Group.

Upon enquiry with the management of the Company, we were given to understand that the Company has considered other alternatives for the Group to raise funds to repay the Convertible Bonds rather than the extension of the Convertible Bonds under the Proposed Terms, including but not limited to, debt financing and equity financing. Regarding debt financing, the Directors are of the view that debt financing will inevitably incur additional finance costs to the Group, which may have adverse impacts on the financial performance of the Group. Regarding placing of the Shares, the Directors consider it inappropriate since it will cause immediate dilution effect to the existing Shareholders. In respect of pre-emptive issues (such as rights issue and open offer), the management of the Company has advised that it is difficult for the Group to identify independent institutional underwriter(s) for such pre-emptive issues at favourable terms, taking into account the loss-making position of the Group and the recent volatile global and local market conditions and the fact that the Group has just conducted the Rights Issue. The Company had approached four financial institutions for acting as an underwriter for the Rights Issue, but only one of them was interested. The rights shares issued under the Rights Issue are the maximum amount of the Shares that the underwriter of the Rights Issue agreed for underwriting. As such, the Company is not able to raise more funds through the Rights Issue. In view of the above in particular that the Company has just conducted the Rights Issue and 3 out of 4 of the financial institutions did not show interest in acting as underwriter for the recent fund raising exercise, the Directors considered that further fund raising through pre-emptive issue may not be viable, therefore the Company did not approach financial institution for the conduction of another pre-emptive issue. Having considered that (i) debt financing will increase finance costs of the Group; (ii) placing of the Shares will cause immediate dilution effect to the existing Shareholders; and (iii) it is difficult for the Group to identify independent institutional underwriter(s) for pre-emptive issues at favourable terms, taking into account the loss-making position of the Group and the fact that the Group has just conducted the Rights Issue and the rights shares issued under the Rights Issue are the maximum amount of the Shares that the underwriter of the Rights Issue agreed for underwriting, therefore it is justifiable for the Company not to approach financial institution for the conduction of another pre-emptive issue, we are of the view that the extension of the Convertible Bonds under the Proposed Terms is an appropriate means to refinance the Convertible Bonds.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the management of the Company, in arriving at the extended maturity date of the Convertible Bonds, the Company has taken into account the extra time available under the extended maturity date to better plan its overall financial resources with respect to the Group's ongoing business operations and the redemption of any unconverted Convertible Bonds on the extended maturity date. As disclosed in the Interim Report 2014, as the forestry and plantation businesses did not progress as scheduled, the Group will endeavour to preserve its financial resources before the resumption of the forestry project. In the meantime, the Group will strive to grow the trading business which could provide a stable source of revenue. The Group will also actively look for any suitable business opportunities to further broaden the sources of revenues and cash inflows of the Group, taking into account the funding requirement and associated business risk. The Group is looking forward to the exploding mobile game market, value of which is growing tremendously with relatively low barriers to entry. Leveraging on the reputation and experience of Ever Hero Group in online and mobile game industry and with the Company's capabilities in relation to the provision of virtualization solutions such as cloud computing and server management by its indirect wholly owned subsidiary, Quasicom Systems Limited, as well as merging with the expertise of Mian Yang Heng Da as a content provider and a builder of city Wi-Fi in the People's Republic of China, the Company feels that mobile game industry would be a possible business opportunity for the Company to explore. Following the completion of the Rights Issue, the Company intends to apply part of the net proceeds raised from it to finance its business development in financial and related services businesses as the Group discovers that barriers to entry into these are relatively low and the incomes derived are comparatively steady and lower in costs. To accommodate and to facilitate this development, the Group is applying for a money lender licence. Furthermore, the Group is also actively looking for suitable business opportunities to further explore and develop the business in this aspect. Based on the above, we consider the entering into of the Second Supplemental Deed would offer the Group extra time to continue its effort to reduce its liabilities through the potential profit streams as well as explore other means to strengthen its liquidity position while preserving its financial flexibility and could retain its working capital in order to capture suitable investments for the Group when opportunities arise.

Having considered that (i) the Second Supplemental Deed would provide more time for the Company to explore other means to satisfy its funding needs and effectively allow the Group to refinance the Convertible Bonds until the proposed extended maturity date on 12 August 2017; (ii) the Convertible Bonds would be unsecured and interest-free; (iii) the extension of the maturity of the Convertible Bonds under the Proposed Terms is an appropriate means to refinance the Convertible Bonds; and (iv) the Group could retain its financial flexibility and working capital to meet the funding requirements for its present and planned projects or other investment opportunities, we concur with the Directors that entering into of the Second Supplemental Deed and the transactions contemplated thereunder including the Proposed Terms and the granting of the Specific Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2. Major terms of the Second Supplemental Deed

On 9 July 2014 (after trading hours), the Company and all the Bondholders entered into the Second Supplemental Deed to further extend the maturity date of the Convertible Bonds for three years to 12 August 2017, and the conversion period of the Convertible Bonds will accordingly be further extended to 7 August 2017, being the fifth day prior to the further extended maturity date of the Convertible Bonds. In addition, the conversion price of the Convertible Bonds is to be amended from HK\$4.00 to HK\$0.0462 per Share. The terms of the Convertible Bonds remain unchanged apart from the extension of the aforementioned conversion period and amendment of the conversion price. Details of the Proposed Terms in relation to the Second Supplemental Deed are set out in the Letter from the Board.

If the outstanding Convertible Bonds are fully converted at the amended conversion price of HK\$0.0462 each, a maximum of 2,685,454,545 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the outstanding Convertible Bonds in full, which represents: (i) approximately 87.64% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 46.71% of the issued share capital of the Company as to be enlarged by the issue of the 2,685,454,545 Conversion Shares (assuming there being no other issue or repurchase of shares). According to the existing terms and conditions of the Convertible Bonds, a Bondholder shall have the right to convert the Convertible Bonds into Shares provided that the public float of the Company shall not be in breach of the minimum public float requirement as stipulated under Rule 11.23 of the GEM Listing Rules.

The completion of the Second Supplemental Deed is subject to the fulfilment of the conditions precedent by the long stop date of the Second Supplemental Deed, including but not limited to the Independent Shareholders' approval on the Second Supplemental Deed. Details of which are set out in the Letter from the Board.

Upon the Second Supplemental Deed taking effect, the Conversion Price would be HK\$0.0462 per Conversion Share, subject to customary adjustments, among other things, sub-divisions and consolidations of the Shares, in accordance with the terms and conditions of the Convertible Bonds. The Conversion Price was determined by reference to the recent trading performance of the Shares on the Stock Exchange.

The Conversion Price represents:

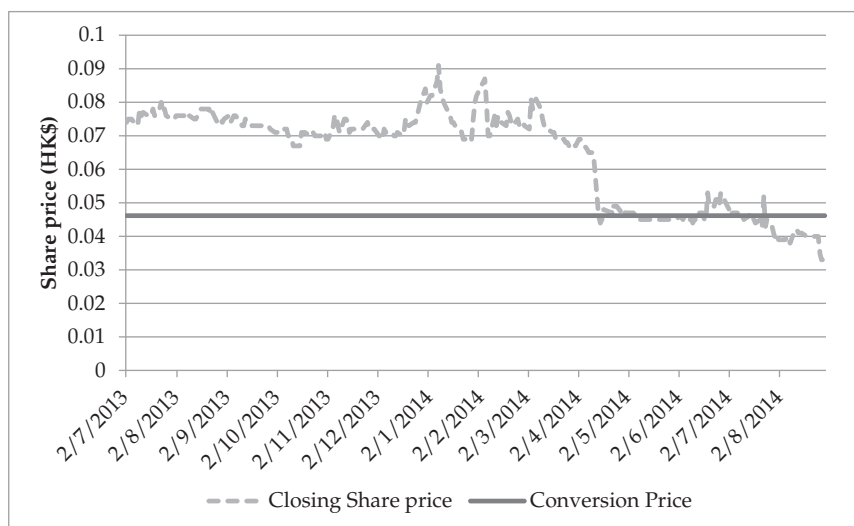
- (i) a premium of approximately 2.67% over the closing price of HK\$0.045 per Share as quoted on the Stock Exchange on 9 July 2014, being the date of the Second Supplemental Deed;
- (ii) the average of the closing prices of HK\$0.0462 per Share as granted on the Stock Exchange for the last five trading days immediately preceding and ended on 9 July 2014; and
- (iii) a premium of approximately 44.38% over the closing price of HK\$0.032 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Share price performance

Chart 1 below shows the daily closing price of the Shares versus the Conversion Price for the period commencing from 1 July 2013 (being the 12-month period prior to the Announcement as it is a commonly used tenure for analysis purpose) up to the Latest Practicable Date (the “Review Period”):

Chart 1: Share price performance versus the Conversion Price during the Review Period



Source: The website of the Stock Exchange (www.hkex.com.hk)

Note: Pursuant to the Rights Issue, the last day of dealings in the Shares on a cum-rights basis was on 18 June 2014 and dealings in the Shares on an ex-rights basis have been commenced on 19 June 2014. For comparison purpose, the closing Share prices for the period from 2 July 2013 to 18 June 2014 have been adjusted on an ex-rights basis.

It is noted that the closing Share price was traded within the range of HK\$0.064 and HK\$0.091 during the period from 2 July 2013 to 13 April 2014 before the announcement of the Rights Issue on 14 April 2014. On the date of the announcement of the Rights Issue, the closing Share price slumped to HK\$0.046 from HK\$0.064 of the previous day. For the period from date of the announcement of the Rights Issue up to the Latest Practicable Date (the “Post Rights Issue Period”), the closing Share price was traded within a range of HK\$0.032 and HK\$0.053 with an average trading price of HK\$0.0445 per Share. Since there was no information of change in the financial position of the Group was published in the public domain and the management of the Company also confirmed to us that they are not aware any material change in the financial position and prospects of the Group for the decrease in Share price during the Post Rights Issue Period, we are of the view that the decrease in Share price was due to the market valuation and market perception of the Rights Issue, therefore the Share prices during the Post Rights Issue Period serve a more meaningful and fair indicator to assess the fairness and reasonableness of the Conversion Price as such Share prices have taken into account the market valuation and market perception of the Rights Issue. It is noted that the Conversion

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Price represents (i) a discount of approximately 12.8% to the highest closing price of the Share; (ii) a premium of approximately 44.4% over the lowest closing price of the Share; and (iii) is approximate to the average trading price of the Share during the Post Rights Issue Period.

Comparable analysis

Since the transaction under the Second Supplemental Deed is similar to the fund raising exercise by way of issue of convertible bonds under specific mandate, in order to assess the fairness and reasonableness of the Proposed Terms, we have reviewed the transactions that involved the issue of convertible bonds under specific mandate for the purpose of fund raising by listed companies on the Stock Exchange as announced in the past three months immediately preceding the Last Trading Day, which we believe represents a reasonable and meaningful period to reflect the recent market condition and sentiment for issuing shares as for the purpose of fund raising (the “Comparables”). We have, to our best effort, identified and made references to, so far as we are aware, 8 Comparables which are exhaustive. Independent Shareholders should note that the Comparables are not identical to the Company in terms of principal business, operations and financial position. Nevertheless, we consider that the Comparables could provide a general reference for the recent common market practice of companies listed on the Stock Exchange in relation to the issue of convertible bonds under specific mandate under current market conditions. Details of our analyses are set out in the following table:

Table 1: Analysis on the Comparables

Date of announcement	Company name	Stock code	Premium over/ (discount to) the closing price on the last trading day <i>Approximate %</i>	Connected transaction (Y/N)	Coupon rate <i>% per annum</i>	Term length <i>Years</i>
8-Apr-14	China HealthCare Holdings Limited	673	(44.40)	N	0.00	3
30-Apr-14	China Rongsheng Heavy Industries Group Holdings Limited	1101	(20.15)	N	7.00	2.5
5-May-14	China Rongsheng Heavy Industries Group Holdings Limited	1101	(20.15)	N	7.00	2.5
14-May-14	China Ocean Shipbuilding Industry Group Limited	651	(33.33)	N	7.50	3
23-May-14	Hao Wen Holdings Limited	8019	(21.88)	N	1.00	2
27-May-14	The Hong Kong Building and Loan Agency Limited	145	(83.73)	N	0.00	2.5
3-Jun-14	China HealthCare Holdings Limited	673	(40.00)	N	0.00	3
27-Jun-14	WLS Holdings Limited	8021	25.00	N	10.00	1
		Mean	(29.83)		4.06	2.44
		Maximum	25.00		10.00	3.00
		Minimum	(83.73)		0.00	1.00
	The Company		2.67	Y	0.00	3.00

Source: The website of the Stock Exchange (www.hkex.com.hk)

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As shown in the table above, the conversion price per share issued under the respective Comparables to the respective closing share price on the last trading day ranges from a discount of approximately 83.73% to a premium of approximately 25.00%, with a mean of discount of approximately 29.83%. In addition, 7 out of 8 Comparables' conversion prices represent a discount over their respective closing share price on their last trading day. It is noted that (i) the premium represented by the Conversion Price over the closing price of the Share on the Last Trading Day of 2.67%, (ii) the zero coupon rate of the Convertible Bonds; and (iii) the term length of 3 years of the Proposed Terms, falls within the respective range of that of the Comparables.

Having considered the above, we consider the Proposed Terms of the Second Supplemental Deed are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

3. Effect on the shareholding structure of the Company

The effect on the shareholding structure of the Company as at the Latest Practicable Date and immediately after the full conversion of the outstanding Convertible Bonds at the Conversion Price (assuming there being no other issue or repurchase of Shares) is as follows:

	As at the Latest Practicable Date		Immediately after the full conversion of the outstanding Convertible Bonds (Note 3)	
	No. of Shares	Approx. %	No. of Shares	Approx. %
Shareholders				
Cheung Wai Yin, Wilson (Note 1)	263,987,500	8.62	2,644,939,880	46.00
Lau Chi Yan, Pierre (Note 2)	10,625,500	0.35	10,625,000	0.18
Total Non-public Shareholders	274,612,500	8.97	2,655,564,880	46.18
Bondholders (other than Ivana)	0	0.00	304,502,164	5.30
Other public Shareholders	2,789,638,575	91.04	2,789,638,575	48.52
Total	3,064,251,075	100.00	5,749,705,620	100.00

Notes:

- The interests disclosed includes 262,500,000 Shares held by Ivana, which is wholly owned by Mr. Cheung. The remaining 1,487,500 Shares are held by Mr. Cheung personally. Given the fact that the Conversion Restriction has been removed previously, there is a scenario in which Mr. Cheung will hold more than 30% of the entire issued share capital of the Company at the relevant time upon full conversion of the outstanding Convertible Bonds held by Ivana. The Company was informed by Mr. Cheung that in such event he will be subject to the Takeovers Code and will apply for a whitewash waiver pursuant to the rules thereunder, while at the moment he has no intention to, during any period before the outstanding Convertible Bonds held by Ivana were fully redeemed, convert such Convertible Bonds to the extent that he and/or Ivana will be subject to the obligations under the Takeovers Code to conduct a mandatory cash offer for the issued Shares held by the other Shareholders.

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2. Mr. Lau Chi Yan, Pierre is the Managing Director of the Company.
3. There is no right for any Bondholder(s) to convert any principal amount of the Convertible Bonds held by the Bondholder(s) and the Company shall not issue any Conversion Shares thereof if, upon such conversion and issue of the Conversion Shares, the Company will not be able to comply with the minimum public float requirement as stipulated under Rule 11.23 of the GEM Listing Rules.

As shown in the above table, the shareholding in the Company held by the existing public Shareholders will be diluted from approximately 91.04% as at the Latest Practicable Date to approximately 48.52% after full conversion of the outstanding Convertible Bonds assuming completion of the Second Supplemental Deed and no conversion restrictions.

Notwithstanding the dilution of the existing public Shareholders, taking into account that (i) the Conversion Price falls within the range of the closing Share price during the Post Rights Issue Period; (ii) the Conversion Price represents a premium of approximately 2.67% to the closing price per Share as quoted on the Stock Exchange of HK\$0.045 on the Last Trading Day; (iii) 7 out of 8 Comparables' conversion price represent a discount to their respective closing share price on their last trading day; (iv) the premium over the closing price of the Shares on the Last Trading Day as represented by the Conversion Price falls within the range and is above the mean of that of the Comparables; and (v) the reasons for, and the benefits of, entering into the Second Supplemental Deed as described under the paragraphs headed "1. Background of and reasons for entering into the Second Supplemental Deed" above, we are of the view that the dilution effect to the existing public Shareholders is justifiable.

RECOMMENDATION

Taking into account the above principal factors and analysis, we are of the opinion that the terms of the Second Supplemental Deed are normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Second Supplemental Deed and the transactions contemplated thereunder including the Proposed Terms and the granting of the Specific Mandate.

Yours faithfully,
For and on behalf of
Goldin Financial Limited

Billy Tang
Director

Note: Mr. Billy Tang is a licensed person registered with the SFC and a responsible officer of Goldin Financial Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 10 years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of the issued share capital of the Company
Cheung Wai Yin, Wilson	Corporate and Personal (<i>Note 1</i>)	263,987,500	8.62%
Lau Chi Yan, Pierre (<i>Note 2</i>)	Personal	10,625,000	0.35%

Notes:

- 1,487,500 Shares are personal interest and 262,500,000 Shares are interest of a controlled corporation, Ivana, which is wholly owned by Mr. Cheung.
- Mr. Lau Chi Yan, Pierre is the Managing Director of the Company.

Long positions in the underlying shares

Name of Director	Nature of Interest	Number of underlying shares	Approximate percentage of total issued share capital of the Company
Cheung Wai Yin, Wilson	Corporate (<i>Note</i>)	27,500,000	0.90%
Wong Chi Man	Personal	71,581	0.002%
Yeung Mo Sheung, Ann	Personal	83,513	0.002%

Note: The interest is held by a controlled corporation, Ivana, which is wholly owned by Mr. Cheung.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company have interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

Interests of Substantial Shareholders

As at the Latest Practicable Date, the registered of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, the following Shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Long positions

Name of Shareholder	Nature of Interest	Number of shares	Number of underlying shares	Approximate percentage of total issued share capital of the Company as at the Latest Practicable Date
Ivana (<i>Note</i>)	Beneficial owner	262,500,000	27,500,000	9.46%

Note: Ivana is wholly owned by Mr. Cheung.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any other material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited financial statements of the Company were made up.

4. SERVICE CONTRACT

As the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, the Group was not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened in writing by or against any member of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors, any proposed Director and their respective close associates had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or has or may have any other conflicts of interest with the Group pursuant to the GEM Listing Rules.

7. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors were materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group. As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2013, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of, or leased to any member of the Group.

8. EXPERT AND CONSENT

The following is the qualification of the Independent Financial Adviser who has given its opinions or advice which are contained in this circular:

Name	Qualification
Goldin Financial Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the expert above has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its respective report and/or letter and/or summary of valuations and/or opinion (as the case may be), and/or the references to its name included in the form and context in which it is respectively included.

As of the Latest Practicable Date, the expert above was not beneficially interested in the share capital of any member of the Group nor did it has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the expert above did not have any direct or indirect interest in any assets which have been acquired, or disposed of by, or leased to any member of the Group, or are proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2013 (the date to which the latest published audited consolidated financial statements of the Group were made up).

9. MISCELLANEOUS

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its head office and principal place of business in Hong Kong is at Room 1502, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.
- (b) The Company's Hong Kong branch share registrar and transfer office is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in the case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of the Company at Room 1502, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong, during normal business hours on any weekday (except for Saturday and public holidays) up to and including the date of the EGM:

- (i) the Second Supplemental Deed;
- (ii) the supplemental deed dated 30 May 2011 and entered into between the Company and the then Bondholder for the alteration of certain terms and conditions of the Convertible Bonds; and
- (iii) the bond instrument relation to the Convertible Bonds.

NOTICE OF THE EGM



MERDEKA

MERDEKA MOBILE GROUP LIMITED (萬德移動集團有限公司*)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8163)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Merdeka Mobile Group Limited (the “**Company**”) will be held on Friday, 19 September 2014 at 11:00 a.m. at Jasmine Room, 3/F., Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong for the purposes of considering and, if thought fit, passing the following resolution with or without amendments as ordinary resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the second supplemental deed (the “**Second Supplemental Deed**”) dated 9 July 2014 and entered into among the Company and the existing holders of the zero coupon convertible bonds due 2014 (the “**Convertible Bonds**”) in the outstanding principal amount of HK\$124,068,000 as at the date hereof, for (i) extending the maturity date of the Convertible Bonds for 3 years from 12 August 2014 to 12 August 2017; and (ii) amending the conversion price of the Convertible Bonds from HK\$4.00 per share (the “**Share**”) of HK\$0.01 in the capital of the Company to HK\$0.0462 per Share, a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for identification purpose, and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, ratified and confirmed;
- (b) any one or more of the directors of the Company be and is/are hereby granted a specific mandate to allot and issue of new Shares upon exercise of the conversion rights attached to the Convertible Bonds at the conversion price of HK\$0.0462 per Share (subject to adjustment) upon and subject to the terms and conditions of the Convertible Bonds as amended by the Second Supplemental Deed; and
- (c) any one or more of the directors of the Company be and is/are hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company thereto) any such other documents, instruments and agreements and to do any such acts or things as may be deemed by him/her/them to be necessary or

* *for identification purposes only*

NOTICE OF THE EGM

incidental to, ancillary to or in connection with the matters contemplated in the Second Supplemental Deed and the transactions contemplated thereunder or otherwise in relation to the Second Supplemental Deed and the matters and the transactions contemplated thereunder.”

By order of the Board of
Merdeka Mobile Group Limited
Cheung Wai Yin, Wilson
Chairman and Chief Executive Officer

Hong Kong, 3 September 2014

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
British West Indies

*Head office and Principal Place of
business in Hong Kong:*
Room 1502
Chinachem Century Tower
178 Gloucester Road
Wanchai, Hong Kong

Notes:

1. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the share register of the Company in respect of the joint holding. Several executors or administrators of a deceased member in whose name any share stands shall for the purposes of the articles of association of the Company be deemed joint holders thereof.
2. Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.
3. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the extraordinary general meeting or adjourned meeting.
5. All voting by the members at the Meeting shall be conducted by way of poll.