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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)**

**(1) VERY SUBSTANTIAL ACQUISITION  
IN RELATION TO ACQUISITION OF  
THE ENTIRE ISSUED SHARE CAPITAL OF  
AND THE SHAREHOLDER'S LOAN DUE BY  
BLOSSOM HEIGHT VENTURES LIMITED  
INVOLVING ISSUE OF PROMISSORY NOTE AND  
CONVERTIBLE BONDS;  
AND  
(2) RESUMPTION OF TRADING**

**Financial Adviser to the Company**



\* For identification purpose only

## **THE ACQUISITION**

The Board is pleased to announce that after trading hours on 31 October 2014, the Purchaser entered into the Acquisition Agreement with the Vendor and the Guarantors, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares and the Sale Loan at a total consideration of HK\$72 million. The Sale Shares represent the entire issued share capital of the Target Company. The Sale Loan represents the aggregate amount owing by the Target Company to the Vendor as at the Completion Date. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Purchaser.

## **IMPLICATIONS UNDER THE GEM LISTING RULES**

As certain applicable percentage ratios in respect of the Acquisition exceed 100%, the entering into of the Acquisition Agreement constitutes a very substantial acquisition of the Company and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. Under the Acquisition Agreement, the Company will issue to the Vendor the Promissory Note and the Convertible Bonds on Completion. It is expected that the Conversion Shares shall rank *pari passu* in all respects with the Shares then in issue on the date of allotment and issue thereof. The Company will seek approval for, among other things, the Specific Mandate from the Shareholders at the EGM.

## **GENERAL**

An EGM will be convened and held for the Shareholders to consider and, if through fit, to approve the Acquisition Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting in favour of the resolution to approve the Acquisition and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) further details of the Acquisition; (ii) accountant's report of the Target Group and the PRC Company; (iii) pro forma financial information of the Enlarged Group upon Completion; (iv) valuation report of the Target Group; (v) other information as required under the GEM Listing Rules; and (vi) notice of the EGM, is expected to be despatched to the Shareholders on or before 30 January 2015 as additional time is required for the Company and the professional parties to prepare the relevant information for inclusion in the circular.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 3 November 2014 pending the publication of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 10 December 2014.

**As the Completion is subject to the fulfilment of the Conditions Precedent as set out in the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## **THE ACQUISITION**

Reference is made to the announcement of the Company dated 19 September 2014. The Possible Investment has now been materialised and the Board is pleased to announce that after trading hours on 31 October 2014, the Purchaser entered into the Acquisition Agreement with the Vendor and the Guarantors, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares and the Sale Loan at a total consideration of HK\$72 million.

## **THE ACQUISITION AGREEMENT**

Major terms of the Acquisition Agreement are set out below:

### **Date**

31 October 2014

### **Parties**

Purchaser: End User Investments Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company

Vendor: Yihua Enterprises Limited, a company incorporated in BVI with limited liability. As at the date of this announcement, the Vendor is the legal and beneficial owner of the Sale Shares and the Sale Loan

**Guarantors:** Mr. Cheng Jun and Mr. Gao Yun Feng, being the owners of 50% and 50% equity interest of the Vendor as at the date of Acquisition Agreement, respectively. The Guarantors were joined as parties to the Acquisition Agreement to guarantee the performance and observance by the Vendor of all of its obligations and undertakings under the Acquisition Agreement

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners, being the Guarantors, are independent of and not connected with the Company and its connected persons.

### **Assets to be acquired**

- (i) The Sale Shares, representing the entire issued share capital of the Target Company.
- (ii) The Sale Loan, representing the aggregate amount owing by the Target Company to the Vendor as at the Completion Date. The amount of the Sale Loan as at the date of the Acquisition Agreement was approximately HK\$49.8 million.

Further particulars of the Target Group are set out in the section headed "Information on the Target Group" below.

### **Consideration**

Pursuant to the Acquisition Agreement, the Consideration of HK\$72 million shall be settled in the following manner:

- (i) HK\$32 million shall be settled by way of Promissory Note to be issued by the Company to the Vendor on Completion; and
- (ii) HK\$40 million shall be settled by way of Convertible Bonds to be issued by the Company to the Vendor on Completion.

## **Basis of the Consideration**

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to (i) the benefits of the Acquisition as set out in the section headed "Reasons for and benefits of the Acquisition" below; (ii) the face value of the Sale Loan of approximately HK\$49.8 million; (iii) the historical performance of the Target Group for the two financial years ended 31 December 2012 and 2013 and for the nine months ended 30 September 2014; and (iv) the valuation of the Target Group as determined by Roma Appraisals Limited (the "Valuer"), an independent valuer, whereby the income approach has been adopted for preparation of the preliminary valuation. Based on the preliminary assessment, taken into account the Sale Loan and upon the capital commitment as stated in the paragraph headed "Capital commitment" being completed, the appraised value of the entire equity interest in the Target Group as at 30 September 2014 is not less than HK\$194 million.

The discounted cash flow method was applied in the aforesaid preliminary valuation prepared by the Valuer. Further announcement will be made by the Company in compliance with Rule 19.62 of the GEM Listing Rules upon the issue of the final valuation report by the Valuer. The valuation report will be included in the circular to be despatched by the Company to the Shareholders in connection with the Acquisition.

### *Profit Guarantee*

Pursuant to the Acquisition Agreement, the Vendor has given to and for the benefit of the Purchaser a profit guarantee that the consolidated net profit after taxation and any extraordinary and exceptional items of the Target Group for each of the three years ending 31 December 2015, 2016 and 2017 shall not be less than HK\$10 million.

The Purchaser shall prepare a statement of the audited consolidated net profit after taxation and any extraordinary and exceptional items of the Target Group in accordance with Hong Kong Financial Reporting Standards and deliver to the Vendor within 90 Business Days after the end of each of the three years ending 31 December 2015, 2016 and 2017.

In the event that the audited consolidated net profit after taxation and any extraordinary and exceptional items of the Target Group is less than HK\$10 million for each of the three years ending 31 December 2015, 2016 and 2017, the amount payable by the Purchaser on redemption of the Promissory Note shall be reduced on a dollar to dollar basis by the amount of shortfall for each of the three years ending 31 December 2015, 2016 and 2017.

The Promissory Note will be escrowed by the Company as a pledge against the aforementioned profit guarantee. Based on the above, the Board considers that the settlement method is fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

### **Conditions Precedent**

Completion shall be subject to the fulfilment or waiver (as the case may be) of the following Conditions Precedent on or before the Long Stop Date:

- (a) the results of legal and financial due diligence on the Target Group, including but not limited to the assets, liabilities, operations and affairs of each member of the Target Group being satisfactory to the Purchaser;
- (b) the obtaining by the Purchaser of all necessary authorizations, licences, consents and approvals required to be obtained from banks, third parties and relevant governmental authorities in respect of the transactions contemplated under the Acquisition Agreement;
- (c) the passing by the Shareholders at the EGM the necessary resolution to approve the Acquisition Agreement and the transactions contemplated thereunder, including without limitation, the issue of the Promissory Note and Convertible Bonds, as required by the GEM Listing Rules;
- (d) the obtaining of legal opinion issued by a firm of PRC lawyers acceptable to the Purchaser covering such matters of the PRC laws relevant to the transactions contemplated under the Acquisition Agreement in such form and substance to the absolute satisfaction of the Purchaser;
- (e) the Listing Committee granting the listing of, and permission to deal in the Conversion Shares;
- (f) there being no matter adversely affecting the legal standing or continued existence of any member of the Target Group to continue to carry on their business;
- (g) the transaction contemplated under the Acquisition Agreement not being treated as a reverse takeover by the Stock Exchange pursuant to Rule 19.06(6) of the GEM Listing Rules; and
- (h) all the representations and warranties provided by the Vendor under the Acquisition Agreement remaining true, accurate and not misleading in all respects.

The Purchaser may at any time by notice in writing to the Vendor waive any Conditions Precedent above (except for (c) and (e) which are not waivable). If the above Conditions Precedent have not been fulfilled in full (or waived, as the case may be) on or before the Long Stop Date or such later date as the Purchaser may agree, the Acquisition Agreement shall cease and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

## **Completion**

Upon fulfilment and satisfaction of the conditions precedent set out in the Acquisition Agreement, Completion shall take place on the Completion Date or such other date as agreed by relevant parties to the Acquisition Agreement in writing. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Purchaser and the financial results of the Target Group will be consolidated into the accounts of the Group.

## **PROMISSORY NOTE**

Upon Completion, HK\$32 million of the Consideration will be settled by way of Promissory Note to be issued by the Company to the Vendor. The terms of the Promissory Note have been negotiated on an arm's length basis and the principal terms of which are as follows:

Issuer:	The Company
Principal amount:	HK\$32 million
Interest:	The Promissory Note shall carry no interest.
Date of issue:	The Completion Date
Repayment Date:	The date falling on the last day of the 42th month from the date of issue of the Promissory Note.
Early repayment:	The Purchaser could, at its discretion, repay the Promissory Note in whole or in part prior to the repayment date. There will not be any premium over or discount to the payment obligations under the Promissory Note for any early repayment.

## CONVERTIBLE BONDS

Upon Completion, HK\$40 million of the Consideration will be settled by way of Convertible Bonds to be issued by the Company to the Vendor. The terms of the Convertible Bonds have been negotiated on an arm's length basis and the principal terms of which are as follows:

Issuer:	The Company
Bondholder:	The Vendor
Principal amount:	HK\$40 million
Coupon:	The Convertible Bonds shall bear no interest.
Date of issue:	The Completion Date
Maturity Date:	Subject to the terms and conditions of the Convertible Bonds, the Maturity Date shall fall on the third anniversary from the date of issue of the Convertible Bonds.
Conversion Rights:	Provided that any conversion of the Convertible Bonds (i) does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder who exercises the Conversion Rights, whether or not such mandatory offer obligation is triggered by the fact that the number of Conversion Shares to be allotted and issued following the exercise of the Conversion Rights attaching to Convertible Bonds and, if applicable, together with any Shares already owned or agreed to be acquired by the Bondholder or parties acting in concert with it, represents 30% or more (or such other percentage as stated in Rule 26 of the Takeovers Code in effect from time to time) of the then issued ordinary share capital of the Company or otherwise pursuant to other provisions of the Takeovers Code; and (ii) will not cause the public float of the Shares unable to meet the requirement under the GEM Listing Rules, the Bondholder shall have the right on any Business Day during the Conversion Period to convert the whole or part of such principal amount of the Convertible Bonds set out therein into Conversion Shares at the Conversion Price, other than the part of the Convertible Bonds which has been called for redemption before the Maturity Date of the Convertible Bonds.

Conversion Price:

The Conversion Price will initially be HK\$0.32 per Conversion Share subject to adjustment provisions customary for convertible securities of a similar type. The adjustment events will arise as a result of certain changes in the share capital of the Company including consolidation or sub-division of shares, capitalisation of profits or reserves, capital distributions in cash or specie or subsequent issue of securities in the Company at substantial discount to market value. The Company shall issue an announcement in the event that there are any changes in the Conversion Price (and any subsequent changes in the conversion price of the Convertible Bonds) in the future to comply with the relevant requirements under the GEM Listing Rules.

The Conversion Price represents (i) a premium of approximately 30.61% over the closing price of HK\$0.2450 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 30.72% over the closing price of HK\$0.2448 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and (iii) a premium of approximately 27.54% over the closing price of HK\$0.2509 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The Board considers that the Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor with reference to the recent performance of the Shares and the prevailing market conditions.

Conversion Shares:

125,000,000 new Shares to be issued upon full conversion of the Convertible Bonds on the basis of the principal amount of HK\$40 million and Conversion Price of HK\$0.32 per Conversion Share (subject to adjustments).

The Conversion Shares following the exercise of the Conversion Rights pursuant to the Convertible Bonds represent approximately 32.63% of the existing issued share capital of the Company and approximately 24.60% of the then issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Bonds.

**Redemption:** The Company shall have the right to redeem any portion of the Convertible Bonds outstanding at any time and from time to time prior to the Maturity Date by notifying the Bondholder at the Company's own discretion.

**Compulsory conversion:** At the Maturity Date, any outstanding principal amount of the Convertible Bonds will be compulsorily converted into ordinary shares of the Company at the Conversion Price.

For the avoidance of doubt, the compulsory conversion will only be applicable to the portion of the Convertible Bonds such that immediately after conversion, no mandatory offer obligation under Rule 26 of the Takeovers Code or violation to the minimum public float requirement of the Company under GEM Listing Rules would be triggered off.

**Transferability:** The Convertible Bonds may be assignable or transferable subject to the prior consent of the Company. Any transfer of the Convertible Bonds to a connected person of the Company shall be subject to any requirements of the Stock Exchange, GEM Listing Rules and all applicable laws and regulations.

**Ranking:** The Conversion Shares, when allotted and issued, will rank *pari passu* in all respects with all existing Shares in issue on the date of allotment and issue of such Conversion Shares. There shall be no restriction for subsequent sale of the Conversion Shares.

**Voting rights:** The Bondholder will not be entitled to attend or vote at any general meetings of the Company by reason only of it being the Bondholder.

Application for listing: No application will be made by the Company for the listing of the Convertible Bonds. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

## **INFORMATION ON THE TARGET GROUP**

### **Background of the Target Group**

The Vendor is principally engaged in investment holding and as at the date of the Acquisition Agreement, other than the holding of the entire issued share capital of the Target Company, the Vendor does not have any other material asset. The Target Company holds the entire issued share capital of the Hong Kong Company. The Target Company and the Hong Kong Company are both investment holding companies. Hong Kong Company is the registered owner of 64.71% of the registered capital of the PRC Company, the remaining 35.29% registered capital of which is owned by Shanghai Xunli. The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, each of Shanghai Xunli and its beneficial owner are independent of and not connected with the Company and its connected persons.

The PRC Company is a sino-foreign joint venture company with limited liability, which is established by the Hong Kong Company and Shanghai Xunli in the PRC on 14 December 2012. The total registered capital of RMB100 million of the PRC Company was fully paid up on or before 15 May 2013, among which RMB40 million was paid up by the Hong Kong Company and RMB60 million was paid up by Shanghai Xunli, representing 40% and 60% equity interest in the PRC Company respectively. On 15 December 2013, the PRC Company intended to increase its total registered capital up to RMB170 million. In respect of its increased capital of RMB70 million, it is required under the written approval issued by上海市商務委員會(Shanghai Municipal Commission of Commerce\*) that the intended increase of registered capital of PRC Company is to be paid up by the Hong Kong Company within 2 years from the date of issue of its revised business licence (i.e. on or before 14 December 2015). After Completion, the Group will make payment for the unpaid RMB70 million of the registered capital of PRC Company for its use in the financial leasing business, such payment will be funded through debt and equity financing and internal resources of the Group. In consideration of the above, as the Target Company currently holds 40% equity interest in the PRC Company indirectly and thus as at the date of this announcement, the PRC Company should be accounted as an associate of the Target Company. After the payment of RMB70 million, the PRC Company will become an indirect non-wholly-owned subsidiary of the Target Company and its financial results will be consolidated into the accounts of the Target Company.

The Hong Kong Company and Shanghai Xunli had obtained approval for establishing a foreign-invested financial leasing company, being the PRC Company, in which its business licence states that it is authorised to engage in, among others, (i) financial leasing business; (ii) leasing business; (iii) purchase of leased properties from local and overseas regions; (iv) maintenance of assets underlying the leases and disposal of the residual value of assets underlying the leases; and (v) lease transaction consultancy and security services, for an operating term of thirty (30) years until 13 December 2042, subject to the conditions that the PRC Company has a registered capital not less than US\$10 million and is staffed by appropriate professionals with relevant knowledge and industry experience. The Directors confirmed that the PRC Company had fulfilled the above criteria and is able to conduct the aforesaid business in the PRC. The Directors have been advised of the legality of the PRC Company, apart from its business licence, neither other permits nor licences are required for that PRC Company to carry on the aforesaid business in the PRC. The success for obtaining of the business licence was attributable to the composition and mix of management team of the PRC Company with relevant experience and network. The Company will retain the existing management team of the Target Group and the key members will continue to engage in the financial leasing business.

### **Business of the Target Group**

The PRC Company is principally engaged in the financial leasing business which its lessees are mainly manufacturing companies and governmental authorities. The PRC Company commenced its financial leasing business in June 2013. The basic requirements for obtaining a business licence to engage in the financial leasing business in the PRC include having a minimum level of registered capital and having staff with relevant knowledge and industry experience. Nonetheless, the relevant governmental authorities have the absolute discretion to approve or reject an application for the business licence.

The financial leasing business model provides the customers with a commercial arrangement where: (i) the customer, as the lessee, will select an asset (such as production machinery and infrastructure equipment); (ii) the PRC Company, as the lessor, will then purchase that asset; (iii) the lessee will have the use of that asset for the duration of the lease; (iv) the lessee will make a series of rental payments for the use of that asset; (v) the PRC Company will recover a majority or the entire cost of the asset and earn interest from the rental payments made by the lessee; and (vi) the lessee has the option to acquire ownership of the asset from the PRC Company upon expiry of the lease term.

Leveraging the PRC Company's extensive business platform and credit guarantee network across commercial banks in the PRC, the PRC Company focuses on providing systematic and effective financing to the enterprises which have working capital needs for their business operations. Due to the stringent credit policy in the PRC, major commercial banks are typically geared towards asset-based lending and they have been reluctant to provide direct financing to enterprises, especially to those are lack of acceptable collaterals and credit histories.

The PRC Company has developed a risk evaluation system, with a primary focus on comprehensive lessee due diligence that enables the management to make financing decisions based on the feasibility study on each enterprise instead of relying on the collateral provided. Such evaluation system differentiates the PRC Company from the traditional commercial banks in the PRC. As present, the business of the PRC Company remains relatively concentrated in Shanghai and gradually explores to other regions such as Jiangsu and Zhejiang provinces in the PRC.

One of the business focuses of the Target Group is to provide financial leasing services to enterprise, in which the PRC Company acts as a lessor to grant fund support by acquiring selected assets and equipment on behalf of the enterprise (i.e. the lessee) from its designated supplier. Based on the risk assessment sufficiently performed by the professionals of the PRC Company and return requirement, the PRC Company provides funding amounts between RMB30 million and RMB100 million as purchase cost of asset to the lessee. The PRC Company retains all the rights and ownership of the leased asset during the lease term. Upon the maturity of financial lease arrangement, the ownership of the leased asset will be transferred to the lessee at a nominal price, which is a pre-determined residual value of the leased asset.

The PRC Company also provides sale-and-leaseback services to enterprise, which allows the enterprise to have the immediate cash available for investment in other business opportunities by selling an asset to the PRC Company and leasing back at an agreed rate. The enterprise will then have an option to buy back the asset at the end of the lease.

The PRC Company possesses professional team with relevant experience in banking and financial services to foster and develop close business relationships with commercial banks in the PRC. The established track record and extensive network have gained the PRC Company confidence from various commercial banks in the PRC, which allowed it to extend in aggregate over RMB300 million of credit lines to the enterprises.

### **Financial information of the Target Group**

In accordance with the Hong Kong Accounting Standard 28 “Investments in Associates”, the investment in the PRC Company of the Target Group should be classified as investment in an associate and accounted for using equity method. Therefore, the investment in the PRC Company was initially recognised at cost and the carrying amount was increased or decreased to recognise the Target Group’s share of profit or loss of the PRC Company.

Set out below is a summary of financial results of the Target Group as extracted from its unaudited consolidated financial statements for each of two years ended 31 December 2012 and 2013 and the nine months ended 30 September 2014, which were prepared in accordance with Hong Kong Financial Reporting Standards:

	<b>For the nine months ended 30 September 2014 HK\$ (unaudited)</b>	<b>For the year ended 31 December 2013 HK\$ (unaudited)</b>	<b>2012 HK\$ (unaudited)</b>
Turnover	–	–	–
Profit/(loss) before taxation	2,289,446	(508,626)	(6,083)
Profit/(loss) after taxation	2,289,446	(508,626)	(6,083)
	<b>As at 30 September 2014 HK\$ (unaudited)</b>	<b>As at 31 December 2013 HK\$ (unaudited)</b>	<b>2012 HK\$ (unaudited)</b>
Total assets	52,401,049	50,745,898	9,737
Total liabilities	49,867,083	49,855,702	15,804
Net assets/(liabilities)	2,533,966	890,196	(6,067)

The following is the financial information extracted from the unaudited management accounts of the PRC Company as provided by the Vendor, which were prepared in accordance with Hong Kong Financial Reporting Standards:

	<b>For the nine months ended 30 September 2014 HK\$ (unaudited)</b>	<b>For the year ended 31 December 2013 HK\$ (unaudited)</b>	<b>Since establishment on 14 December 2012 up to 31 December 2012 (Note 2) HK\$ (unaudited)</b>
Turnover ( <i>Note 1</i> )	7,994,314	–	–
Profit/(loss) before taxation	7,656,981	(1,657,869)	–
Profit/(loss) after taxation	5,742,736	(1,243,402)	–
	<b>As at 30 September 2014 HK\$ (unaudited)</b>	<b>As at 31 December 2013 HK\$ (unaudited)</b>	<b>2012 HK\$ (unaudited)</b>
Total assets	264,242,805	131,152,186	–
Total liabilities	133,249,515	4,287,440	–
Net assets	130,993,290	126,864,746	–

*Notes:*

1. Turnover of the PRC Company for the nine months ended 30 September 2014 comprises interest income of approximately HK\$7.13 million and arrangement fee of approximately HK\$860,000.
2. The PRC Company had not carried out any business since its establishment on 14 December 2012. Up to 31 December 2012, no capital was injected to the PRC Company.

The Target Group's results of operation depend to a great extent on the net interest income from the financial leasing business, which is the interest income minus the interest expense of the PRC Company. The revenue of the PRC Company for the nine months ended 30 September 2014 relating to several financial lease arrangements on hand, of which the funding principal granted to the customer was from approximately RMB35 million to RMB100 million with a term between 1-3 years and lending rate from approximately 7% to 11% per annum. The interest rate charged to the customer is mainly dependent upon its risk profile and the value of assets underlying the lease. Arrangement fee related to the provision

of credit assessment and financial leasing service is also applied to the customer, which is generally charged annually at about 1-2% of the outstanding principal loan.

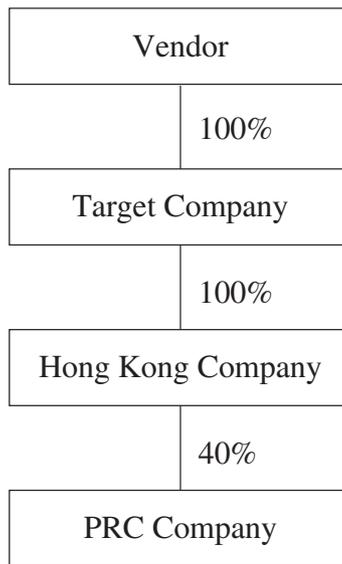
### **Capital commitment**

With regard to the balance of RMB70 million registered and unpaid capital of the PRC Company for which the Hong Kong Company has to contribute, the Company shall, subject to and upon Completion, inject the sum of RMB70 million in cash into the PRC Company (the “Capital Contribution”), as its general working capital to facilitate the expansion of the financial leasing business after the Completion. The Capital Contribution will be obligated to be made by the Hong Kong Company according to the Acquisition Agreement. If the Acquisition proceeds, such capital injection will be funded through debt and equity financing and internal resources of the Group on or before 14 December 2015. Upon completion of the Capital Contribution, the PRC Company will become a 64.71% owned subsidiary of the Hong Kong Company. It is planned that the Company will primarily utilize the increased capital of the PRC Company as operating funds for its business expansion, by increasing the budget of funding amounts to the lessees and exploring other regions in the PRC.

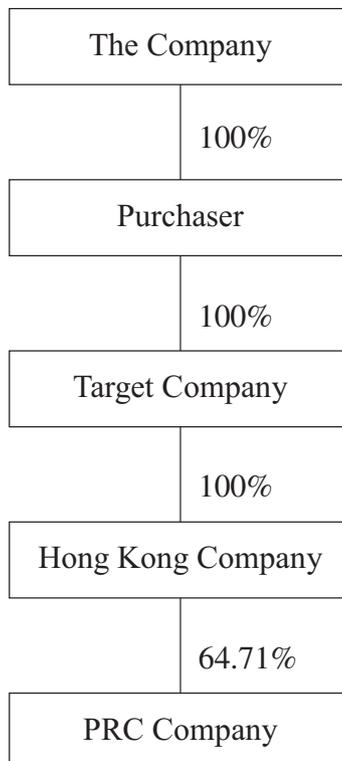
In accordance with the “Measures on the Administration of Foreign Investment in the Leasing Industry” promulgated by 中華人民共和國商務部 (Ministry of Commerce of the PRC\*), it requires that the foreign-invested financial leasing company’s assets at risk shall not exceed 10 times its equity. In other words, one of the major factors in determining the success of the PRC Company’s efforts to expand its operations is whether it can sustain and expand the access to funding from banks. As such, the Company considers that the Acquisition could be a profitable business opportunity, via the Capital Contribution, the PRC Company can make use of the capital leverage and increase its access to funding, thus to enhance its financial lease portfolio.

\* *For identification purpose only*

**Shareholding structure of the Target Group before Completion**



**Shareholding structure of the Target Group after Completion and Capital Contribution**



## **REASONS FOR THE ACQUISITION**

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

As the forestry and plantation businesses did not progress as scheduled due to the uncertain prospects and political environment in Timika, the Group strived to grow the trading business which could provide a stable source of revenue. The Group sources the milk powder products directly from the milk powder product importers in Hong Kong and sells to (i) the bulk purchasers in Hong Kong; (ii) the pharmacies in Hong Kong; and (iii) the individual customers through e-commerce platform. On the other hand, the Group has actively pursued suitable business opportunities to further broaden the sources of revenue and cash inflows of the Group, taking into account the funding requirement and associated business risk. As indicated in the interim report of the Company for the six months ended 30 June 2014 (the “Interim Report”), the Group suffered loss from its existing business for an extended period of time mainly due to the suspension of its forestry project in Timika. However, the gross profit margin was improving as a result of the revenue growth in the trading and information technology business of the Group.

While focusing on its existing business, it is part of the business strategy of the Group to seek for new investments when opportunities arise. As disclosed in the Interim Report, the Company commenced its money lending activities apart from its principal business in the second quarter of 2014. The Group has previously advanced several loans to third parties on an isolated basis. Although the money lenders licence was yet to be obtained at the relevant time, the Company after taking legal advice considers that the previous loans advanced by the Group to the borrowers were legal given their isolated and not regular in nature, and therefore was not required to obtain such licence. To accommodate and to facilitate this business development, the Group had applied for a money lenders licence in Hong Kong, and the money lenders licence was recently granted to Merdeka Finance Limited, a wholly-owned subsidiary of the Company, to carry on business as a money lender for a period of twelve (12) months from 2 December 2014, the Group is able to develop the money lending business as one of its principal line of business by providing loans in a systematic and repetitive nature in its ordinary course of business, subject to compliance with the requirements in the Money Lenders Ordinance. In view of the business of the Target Group, the Directors consider that the Acquisition is in line with the Group’s business strategy and the Group is currently at an advantageous position to further tap into financing related business in the PRC with its growth potential. As at the date of this announcement, except the Target Company, the Company has no agreement/contract/arrangement and present intention to acquire any business or company.

Following the completion of the rights issue on the basis of four rights shares for every one share held on 25 June 2014, the Company has sufficient financial resources and intends to apply part of the net proceeds raised from it to finance its business development in financial and related services as the Group discovers that barriers to entry into these are relatively low

and the incomes derived are comparatively steady and lower in costs. In consideration of the overall financial results of the Group, the Group has no intention to dispose of or scale down any of its existing business and will close monitor the performance of its principal businesses to achieve continuing growth.

After Completion, the Group could save time from setting up a new financing company but instead deploy working capital directly to further develop its financing related business in the PRC. The Directors consider that the settlement of the Consideration by way of issue of Convertible Bonds is favourable to the Group at the juncture of its development given that it enables the Group to implement the Acquisition without enduring a significant outlay of cash and could preserve its available cash for future development of its businesses.

Having considered (i) the financial position of the Target Group, as well as its profitability, as detailed in the paragraph headed “Financial information of the Target Group”; (ii) the development potential of money lending business in the PRC; (iii) the professional management and strong clientele network to be obtained from the Target Group; (iv) the capital commitment to be injected into the PRC Company by the Purchaser for business development as stated in the paragraph headed “Capital commitment”; and (v) the market value of the Target Group being not less than HK\$194 million with reference to the valuation report prepared by the Valuer, the Directors are of the view that the terms of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **PRESENT INTENTION**

The Company and the Vendor (and its ultimate beneficial owners) has no intention to change the composition of the Board upon Completion. No nominee from the Vendor will be appointed to the Board. The Company also has no intention to change the composition of its senior management upon Completion.

The Company considers that it will have sufficient expertise to manage the Target Group upon Completion taking into account the fact that (i) Mr. Cheung Wai Yin, Wilson, the chairman and chief executive officer of the Company, is responsible for monitoring the current money lending operation of the Group. He possesses a master degree in financial engineering and has over 17 years of experience in the field of corporate financial and financial management; and (ii) Mr. Wong Chi Man, the non-executive director of the Company, is responsible for assisting in the periodical review of the risk management systems in the money lending business of the Group. He holds a master degree in applied finance and has over 5 years of experience in the field of investment, finance and securities advisory.

## 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 date of this announcement:

Date of announcement	Fund raising activity	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
21 February 2014	Placing of new Shares under general mandate ( <i>Note</i> )	HK\$12.56 million	For general working capital to finance its business development and/or to finance any future investment opportunities	Approximately HK\$5 million has been used for the expansions of trading business; and approximately HK\$4.5 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 redemption of the Convertible Bonds; the remaining is deposited in bank

*Note:* Prior to this placing of new Shares under general mandate and at the extraordinary general meeting of the Company held on 29 January 2014, the Shareholders had approved, among other things, an ordinary resolution for the grant of the new general mandate to the Directors to issue not more than 77,170,043 Shares as defined in the circular of the Company dated 13 January 2014. Since the AGM and except for the grant of new general mandate herein, the Company has not refreshed its general mandate granted at the AGM. As at the date of this announcement, the Company would be allowed to allot and issue up to 76,606,277 new Shares, being 20% of total number of Shares in issue immediately after the share consolidation became effective on 29 September 2014.

## CHANGES IN SHAREHOLDING STRUCTURE

For illustration purpose only and without taking into account any other possible changes in the shareholding structure of the Company, the following table sets out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon Completion and assuming full conversion of the Convertible Bonds; and (iii) immediately upon Completion and assuming full conversion of the Convertible Bonds and the convertible bonds issued by the Company on 12 August 2008:

	As at the date of this announcement		Immediately upon Completion and assuming full conversion of the Convertible Bonds		Immediately upon Completion and assuming full conversion of the Convertible Bonds and the convertible bonds issued by the Company on 12 August 2008 (Note 3)	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %
<b>Shareholders</b>						
Cheung Wai Yin, Wilson (Note 1)	32,998,438	8.62	32,998,438	6.50	330,617,485	39.18
Lau Chi Yan, Pierre (Note 2)	1,328,125	0.35	1,328,125	0.26	1,328,125	0.16
Vendor	0	0.00	125,000,000	24.60	125,000,000	14.82
Total non-public Shareholders	34,326,563	8.97	159,326,563	31.36	456,945,610	54.16
Bondholders (other than Ivana)	0	0.00	0	0.00	38,062,771	4.51
Other public Shareholders	348,704,821	91.03	348,704,821	68.64	348,704,821	41.33
Total	383,031,384	100.00	508,031,384	100.00	843,713,202	100.00

### Notes:

- The interests disclosed includes 32,812,500 Shares held by Ivana, which is wholly owned by Mr. Cheung. The remaining 185,938 Shares are held by Mr. Cheung personally. Given the fact that the conversion restriction has been removed previously, there is a possibility 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 Investments Limited (“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.
- Mr. Lau Chin 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, either (i) a mandatory general offer under Rule 26 of the Takeover Code will be triggered on the part of the Bondholder(s) or (ii) 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.

## **PROPOSED GRANT OF SPECIFIC MANDATE**

Under the Acquisition Agreement, the Purchaser will procure the Company to issue the Convertible Bonds to the Vendor to satisfy part of the Consideration on Completion. The Conversion Shares to be issued following the exercise of the Conversion Rights pursuant to the Convertible Bonds shall rank *pari passu* in all respects with the Shares then in issue on the date of allotment and issue thereof. The Company will seek the grant of a Specific Mandate from the Shareholders at the EGM for the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights pursuant to the Convertible Bonds. Application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

## **IMPLICATIONS UNDER THE GEM LISTING RULES**

As certain applicable percentage ratios in respect of the Acquisition exceed 100%, the entering into of the Acquisition Agreement constitutes a very substantial acquisition of the Company and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

## **GENERAL**

An EGM will be convened and held for the Shareholders to consider and, if through fit, to approve the Acquisition Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting in favour of the resolution to approve the Acquisition and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) further details of the Acquisition; (ii) accountant's report of the Target Group and the PRC Company; (iii) pro forma financial information of the Enlarged Group upon Completion; (iv) valuation report of the Target Group; (v) other information as required under the GEM Listing Rules; and (vi) notice of the EGM, is expected to be despatched to the Shareholders on or before 30 January 2015 as additional time is required for the Company and the professional parties to prepare the relevant information for inclusion in the circular.

## RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 3 November 2014 pending the publication of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 10 December 2014.

**As the Completion is subject to the fulfilment of the Conditions Precedent as set out in the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the terms used herein shall have the following meanings:

“Acquisition”	the proposed acquisition of the Sale Shares and the Sale Loan by the Purchaser from the Vendor pursuant to the terms and subject to the conditions of the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 31 October 2014 entered into between the Purchaser, the Vendor and the Guarantors in relation to the Acquisition
“acting in concert”	has the meaning ascribed to this term under the Takeovers Code
“AGM”	the annual general meeting of the Company held on 27 June 2014
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Bondholder”	holder of the Convertible Bonds
“Business Day(s)”	a day (other than a Saturday, Sunday and public holiday) on which banks are open for business in Hong Kong
“BVI”	the British Virgin Islands

“Company”	Merdeka Mobile Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Completion Date”	the date falling on the third Business Day after all the conditions precedent to the Acquisition Agreement have been fulfilled (or waived, as the case may be) or such other date as the parties to the Acquisition Agreement may agree
“Conditions Precedent”	conditions precedent to the Completion under the Acquisition Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the consideration of HK\$72 million which was determined in the manners as described in the paragraph headed “Consideration” of this announcement and shall be payable by the Purchaser to the Vendor for the Acquisition pursuant to the payment terms as set out in the Acquisition Agreement
“Conversion Period”	the period commencing from the issue date of the Convertible Bonds and ending at 4:00 p.m. on the Maturity Date (both dates inclusive)
“Conversion Price”	initially HK\$0.32 per Conversion Share, subject to adjustments in accordance with the terms and conditions of the Convertible Bonds
“Conversion Rights”	the rights attaching to the Convertible Bonds to convert the same or a part thereof into Conversion Shares pursuant to the terms and conditions of the Convertible Bonds
“Conversion Share(s)”	new Shares(s) which may fall to be allotted and issued by the Company following the exercise of the Conversion Rights at the Conversion Price

“Convertible Bonds”	the zero coupon convertible bonds in the principal amount of HK\$40 million to be issued by the Company in favour of the Vendor to satisfy part of the Consideration pursuant to the Acquisition Agreement with the benefit of and subject to the conditions of the Convertible Bonds or, as the context may require, any part of the principal amount thereof
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Acquisition and the transactions contemplated thereunder including the issue of the Convertible Bonds and the granting of the Specific Mandate for the issue of the Conversion Shares upon exercise of the Conversion Rights
“Enlarged Group”	the Group as enlarged by the Target Group after Completion
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of the Securities on GEM
“Group”	the Company and its subsidiaries
“Guarantors”	Mr. Cheng Jun and Mr. Gao Yun Feng, being the guarantors of the Acquisition Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Company”	Ideal Magic International Limited (裕驊國際有限公司), a company incorporated in Hong Kong with limited liability
“Last Trading Day”	31 October 2014, being the last trading day of the Shares on the Stock Exchange before the suspension of trading in the Shares pending the issue of this announcement
“Listing Committee”	has the meaning ascribed to this term under the GEM Listing Rules

“Long Stop Date”	30 June 2015 or such later date as the Purchaser may agree in writing
“Maturity Date”	the day falling on the third anniversary from the date of issue of the Convertible Bonds
“Possible Investment”	the possible subscription for not less than 60% of the equity interest of the PRC Company by the Purchaser, as referred to in the announcement of the Company dated 19 September 2014
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region
“PRC Company”	恒河融資租賃(上海)有限公司(Heng He Financial Lease (Shanghai) Company Limited*), a sino-foreign joint venture company established in the PRC with limited liability
“Promissory Note”	the promissory note in the principal sum of HK\$32 million to be executed by the Company in favour of the Vendor on Completion for the purpose of settling part of the Consideration under the Acquisition Agreement
Purchaser”	End User Investments Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company
“Sale Loan”	the amounts due by the Target Company to the Vendor upon Completion
“Sale Shares”	2 ordinary shares in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company
“Shanghai Xunli”	上海市巽離股權投資管理有限公司(Shanghai Xunli Equity Investment Management Limited*), a company incorporated in the PRC which is principally engaged in investment holding and currently owns 60% equity interest in the PRC Company

“Share(s)”	ordinary share(s) of HK\$0.08 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be granted by the Shareholders to the Directors at the EGM for the allotment and issue of the Conversion Shares upon exercise of the Conversion Rights
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Target Company”	Blossom Height Ventures Limited, a company incorporated in BVI with limited liability
“Target Group”	the Target Company, together with its subsidiaries
“trading day”	a day on which the Stock Exchange is open throughout its usual trading hours for the business of dealing in securities that are listed thereon
“US\$”	United States dollars, the lawful currency of the United States of America

“Vendor” Yihua Enterprises Limited, a company incorporated in BVI with limited liability which is wholly owned by the Guarantors

“%” per cent.

By order of the Board of  
**MERDEKA MOBILE GROUP LIMITED**  
**Cheung Wai Yin, Wilson**  
*Chairman and Chief Executive Officer*

Hong Kong, 9 December 2014

As at the date of this announcement, the Directors are:

*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

*This announcement, 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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Listed Company Information” page for at least seven days from the day of its publication and posting and will be published and remains on the website of the Company at <http://www.merdeka.com.hk>.*