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MERDEKA

MERDEKA FINANCIAL SERVICES GROUP LIMITED

(萬德金融服務集團有限公司*)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8163)

**MAJOR AND CONNECTED TRANSACTION
CAPITAL INJECTION AGREEMENT**

CAPITAL INJECTION AGREEMENT

The Board is pleased to announce that on 14 December 2015 (after trading hours), Ideal Magic (an indirect wholly owned subsidiary of the Company) and Shanghai Xunli entered into the Capital Injection Agreement to increase the registered capital of Heng He from RMB170 million to RMB300 million. Pursuant to which Ideal Magic and Shanghai Xunli agreed to inject capital of approximately RMB84.1 million (approximately HK\$101.8 million) and approximately RMB45.9 million, respectively, into Heng He by way of cash contribution. The shareholding percentage of both parties will remain the same before and after the increase in capital contribution in Heng He.

* For identification purpose only

GEM LISTING RULES IMPLICATION

Shanghai Xunli is a substantial shareholder of Heng He. As such, Shanghai Xunli is regarded as a connected person of the Company at the subsidiary level and the Capital Injection constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. The Board has approved the Capital Injection Agreement and the independent non-executive Directors have confirmed that the terms of the Capital Injection Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Capital Injection Agreement is exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 20.99 of the GEM Listing Rules.

As certain of the applicable percentage ratios calculated under Chapter 19 of the GEM Listing Rules in respect of the Capital Injection are above 25% but less than 100%, the Capital Injection constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the Listing Rules.

GENERAL

The EGM will be convened and held for the Shareholders to consider, and if thought fit, pass the resolution to approve the Capital Injection Agreement. A circular containing, among others, (i) details of the Capital Injection Agreement; and (ii) a notice of the EGM will be dispatched to the Shareholders on or before 6 January 2016.

CAPITAL INJECTION AGREEMENT

Background

Reference is made to the circular of the Company dated 17 March 2015 with regards to, inter alia, the acquisition by the Company of 64.71% indirect interest in Heng He. The remaining interest of Heng He is owned as to 35.29% by Shanghai Xunlin.

Pursuant to the 2013 Capital Injection Agreement, Ideal Magic, an indirect wholly owned subsidiary of the Company, has to inject the sum of RMB70 million in cash into Heng He on or before 14 December 2015 as its general working capital to facilitate the expansion of the financial leasing business. As at the date of this announcement, Ideal Magic had injected the sum of approximately RMB38 million in cash into Heng He as its registered and paid up capital. As such, Ideal Magic has an outstanding capital commitment of approximately RMB32 million and own as to 56.97% interest in Heng He as at the date of this announcement.

The Board is pleased to announce that on 14 December 2015, Ideal Magic (an indirect wholly owned subsidiary of the Company) and Shanghai Xunli entered into the Capital Injection Agreement to increase the registered capital of Heng He from RMB170 million to RMB300 million.

Capital Injection Agreement

Date: 14 December 2015 (after trading hours)

Parties: Ideal Magic, an indirect wholly owned subsidiary of the Company
上海市巽離股權投資管理有限公司 (Shanghai Xunli Equity Investment Management Limited*)

Out of the amount of the increase which totals RMB130 million, Ideal Magic and Shanghai Xunli agreed to contribute approximately RMB84.1 million (approximately HK\$101.8 million) and approximately RMB45.9 million, respectively. Accordingly, Heng He will be owned as to 64.71% by Ideal Magic and 35.29% by Shanghai Xunli upon the full settlement of the Capital Injection.

Settlement of Capital Injection

Pursuant to the Capital Injection Agreement, all outstanding capital commitment including the capital injection of RMB130 million shall be settled by both parties within three years from the date which the business license of Heng He have been updated to reflect the change in registered capital.

Condition Precedent

Completion of the Capital Injection shall be conditional upon, amongst others, the following conditions precedent being fulfilled:

- (i) the passing by the Shareholders in accordance with the GEM Listing Rules and all applicable laws at the EGM of resolutions approving the Capital Injection Agreement and the transactions contemplated thereunder;
- (ii) the Company and Heng He having obtained all applicable approvals and consents from relevant government authorities, regulators and other relevant third parties in respect of the Capital Injection; and

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(iii) the articles and association of Heng He having been amended in accordance with the terms of the Capital Injection Agreement.

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.

Information on Heng He

Heng He is principally engaged in the financial leasing business, which specialises in organising and providing direct financial leasing services and sale-and-leaseback services to customers in the PRC. The customers of Heng He (also known as the lessees) are mainly manufacturing companies and governmental authorities.

Heng He is a sino-foreign joint venture company with limited liability, which is established by Ideal Magic and Shanghai Xunli in the PRC on 14 December 2012. The original total registered capital of RMB100 million of Heng He was fully paid up on or before 15 May 2013, among which RMB40 million was paid up by Ideal Magic and RMB60 million was paid up by Shanghai Xunli, representing 40% and 60% equity interest in Heng He respectively.

Following the completion of the acquisition of Blossom Height Ventures Limited on 21 April 2015, Heng He became an associate of the Company. On 31 August 2015, Ideal Magic made a capital injection of approximately RMB38 million, increasing the paid up capital of Heng He to approximately RMB138 million and Heng He became a non-wholly owned subsidiary of the Group. As at the date of this announcement, the Company, through Ideal Magic, holds approximately 56.97% interests in Heng He.

Set out below is the unaudited and audited financial information of Heng He for the period ended 30 September 2015 and for the year ended 31 December 2013 and 2014:

	Nine months ended 30 September 2015	Year ended 31 December	
	<i>HK\$'000</i> (unaudited) <i>(Note)</i>	2014 <i>HK\$'000</i> (audited)	2013 <i>HK\$'000</i> (audited)
Turnover	27,195	13,155	–
Profit/(loss) before taxation for the period/for the year	12,535	7,337	(1,658)
Profit/(loss) for the period/ for the year	7,529	5,420	(1,243)
	As at 30 September 2015	As at 31 December	
	<i>HK\$'000</i> (unaudited)	2014 <i>HK\$'000</i> (audited)	2013 <i>HK\$'000</i> (audited)
Net assets	181,332	130,342	126,865

Note: Heng He became a non-wholly owned subsidiary of the Group on 31 August 2015. As such, the profit and loss result of Heng He was consolidated into the Group's financial information only after 31 August 2015.

Financial impact of the Capital Injection on the Group

Following completion of the Capital Injection, the registered capital of Heng He will be increased from RMB130 million to RMB300 million, which shall be owned as to 64.71% by Ideal Magic and as to 35.29% by Shanghai Xunli. Heng He will continue to be a subsidiary of the Company and the financial results of Heng He will continue to be consolidated by the Group. The Capital Injection will not result in any significant impact to the profit or loss of the Group.

It is expected that the Capital Injection will be funded through equity financing, including but not limited to placing of new Shares under general or specific mandate, and internal resources of the Group within three years from the date which the business license of Heng He have been updated to reflect the change in registered capital.

Reason for the Capital Injection

The Company acts as an investment holding company. 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, information technology business and financial services business.

The Company commenced its money lending activities apart from its principal business in the second quarter of 2014. To accommodate and to facilitate this business development, the Group was granted, a money lenders license in Hong Kong 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 lines 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. Meanwhile, the Group has been approached by potential borrowers for provision of loans from time to time.

During the nine months ended 30 September 2015, Heng He had concluded nine financial leasing contracts in the aggregate amount of RMB941.2 million. Additional capital is required by Heng He, in order to cope with the significant growth in its business operation and the increasing demand for financial leasing in the PRC. The Directors considered that it would be in the interests of the Company and its Shareholders as a whole for Ideal Magic and Shanghai Xunli to inject further capital in the aggregate of RMB130 million into Heng He to expand its financial leasing business and to meet its general working capital requirements.

The Directors consider that the Capital Injection will strengthen Heng He capital base which in turn will meet its capital needs and facilitate the growth of the money lending business of the Group. Taking into account of the benefits of the Capital Injection described above, the Directors (including the independent non-executive Directors) believe that the Capital Injection is in the interest of the Company and the terms of the Capital Injection Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

GEM LISTING RULES IMPLICATION

Shanghai Xunli is a substantial shareholder of Heng He, an indirect non-wholly owned subsidiary of the Company. As such, Shanghai Xunli is regarded as a connected person of the Company at the subsidiary level and the Capital Injection constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. The Board has approved the Capital Injection Agreement and the independent non-executive Directors have confirmed that the terms of the Capital Injection Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Capital Injection Agreement is exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 20.99 of the GEM Listing Rules. No Director has a material interest in the Capital Injection Agreement and none of them is required to abstain from voting on the Board resolution for approving the Capital Injection Agreement.

As certain of the applicable percentage ratios calculated under Chapter 19 of the GEM Listing Rules in respect of the Capital Injection are above 25% but less than 100%, the Capital Injection constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the Listing Rules.

The EGM will be convened at which an ordinary resolution will be proposed to seek the Shareholders' approval of the Capital Injection Agreement and the transactions contemplated thereunder, including the Capital Injection. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders will be required to abstain from voting to approve the resolution in relation to the Capital Injection Agreement.

GENERAL

A circular containing, among others, (i) details of the Capital Injection Agreement; and (ii) a notice of the EGM will be dispatched to the Shareholders on or before 6 January 2016.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“2013 Capital Injection Agreement”	a capital injection agreement entered into by Ideal Magic, Shanghai Xunli and Heng He dated 14 December 2013 in respect of the capital injection of RMB70 million into Heng He
“Board”	the board of Directors
“Capital Injection”	the capital injection in the amount of RMB84.1 million and RMB45.9 million by Ideal Magic and Shanghai Xunli, respectively, to the registered capital of the Heng He by way of cash contribution pursuant to the Capital Injection Agreement
“Capital Injection Agreement”	a supplemental capital injection agreement to the 2013 Capital Injection Agreement entered into by Ideal Magic, Shanghai Xunli and Heng He dated 14 December 2015 in respect of the Capital Injection
“Company”	Merdeka Financial Services Group Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the issued shares of which are listed on the GEM Board of the Stock Exchange (stock code: 8163)
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Capital Injection Agreement and the transactions contemplated thereunder, including the Capital Injection
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Heng He”	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
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Ideal Magic”	Ideal Magic International Limited (裕驊國際有限公司), a company incorporated in Hong Kong with limited liability
“PRC”	the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“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 established in the PRC which is principally engaged in investment holding and currently owns 35.29% equity interest in Heng He
“Share(s)”	share(s) of nominal value of HK\$0.001 each in the share capital of the Company

* For identification purpose only

“Shareholder(s)”	holder(s) of the share(s) in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 14 December 2015

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*)

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>.