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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)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent

Convoy Investment Services Limited

康宏証券投資服務有限公司

THE PLACING

After trading hours on 14 March 2016, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best endeavour basis, up to 245,000,000 Placing Shares, to not less than six Placees who and whose ultimate beneficial owners will be Independent Third Parties at a price of HK\$0.119 per Placing Share. The Placing Shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the EGM held on 2 October 2015.

* for identification purposes only

The maximum number of 245,000,000 Placing Shares represents: (i) approximately 19.99% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.66% of the issued share capital of the Company as enlarged by the Placing (assuming the Placing is completed in full and there is no other change in the issued share capital of the Company). The aggregate nominal value of the Placing Shares under the Placing (assuming the Placing is completed in full) will be HK\$245,000.

Assuming all the Placing Shares under the Placing Agreement have been placed, the gross proceeds from the Placing will be approximately HK\$29.16 million and the net proceeds will be approximately HK\$27.86 million (after deduction of commission and other expenses of the Placing). It is expected that the entire net proceeds from the Placing will be applied (i) as to not less than HK\$22.29 million for the capital injection into Heng He as its general working capital to facilitate the expansion of the financial leasing business, by increasing the budget of funding amounts to the lessees and exploring other regions in the PRC (further details of the acquisition in relation to Heng He can be referred to the circular of the Company dated 17 March 2015); and (ii) the remaining for the strengthening of the general working capital base of the Company to finance its business development and/or to finance any future investment opportunities or any future needs in repaying its outstanding debts.

The Placing Price of HK\$0.119 per Placing Share was determined after arm's length negotiations between the Company and the Placing Agent and represents: (i) a discount of approximately 15.00% to the closing price of HK\$0.140 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 15.96% to the average of the closing prices of approximately HK\$0.142 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the Placing Agreement.

GENERAL

The Placing Shares will be issued under the General Mandate and therefore the Placing and the issue of the Placing Shares will not be subject to any Shareholders' approval.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Since completion of the Placing is subject to the fulfilment of the condition as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date:

14 March 2016

Issuer:

The Company

Placing Agent:

Convoy Investment Services Limited

The Placing Agent has conditionally agreed to place up to 245,000,000 Placing Shares, on a best endeavour basis, to the Placees. The Placing Agent will receive a placing commission of 3% of the aggregate Placing Price of the Placing Shares actually placed by the Placing Agent on behalf of the Company. Such placing commission was arrived at after arm's length negotiation between the Company and the Placing Agent on normal commercial terms and with reference to the prevailing market condition.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Placees:

The Placing Shares are to be placed to not less than six Placees, who and whose ultimate beneficial owners, will be Independent Third Parties. The Placing Agent undertook that none of the Placees would, immediately upon completion of the Placing, become a substantial shareholder (within the meaning of the GEM Listing Rules) of the Company. If any of the Placees becomes a substantial shareholder of the Company after the completion of the Placing, further announcement will be made by the Company.

Placing Price:

The Placing Price of HK\$0.119 per Placing Share represents:

- (i) a discount of approximately 15.00% to the closing price of HK\$0.140 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and

- (ii) a discount of approximately 15.96% to the average of the closing prices of approximately HK\$0.142 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the Placing Agreement.

The Placing Price was determined after arm's length negotiation between the Company and the Placing Agent with reference to, among other matters, the prevailing market prices of the Shares and the capital requirement for the future development of the Group.

The Directors consider that the terms of the Placing Agreement (including the Placing Price and the placing commission) are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Assuming all the Placing Shares under the Placing Agreement have been placed, the gross proceeds from the Placing will be approximately HK\$29.16 million and the net proceeds will be approximately HK\$27.86 million (after deduction of commission and other expenses of the Placing). The net issue price of the Placing Shares will be approximately HK\$0.114 per Placing Share.

Placing Shares:

The maximum number of 245,000,000 Placing Shares represents: (i) approximately 19.99% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.66% of the issued share capital of the Company as enlarged by the Placing (assuming the Placing is completed in full and there is no other change in the issued share capital of the Company). The aggregate nominal value of the Placing Shares under the Placing (assuming the Placing is completed in full) will be HK\$245,000.

Ranking:

The Placing Shares will rank, upon issue, pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Placing Shares.

Condition of the Placing:

Completion of the Placing is conditional upon the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares to be placed pursuant to the Placing Agreement on or before the Long Stop Date.

If the above condition is not satisfied on or before the Long Stop Date, the obligations of the Placing Agent and of the Company under the Placing Agreement shall cease and determine and none of the Placing Agent or the Company shall have any claim against the other in relation to the Placing Agreement (save in respect of any antecedent breaches of any obligation thereunder).

Completion:

Completion of the Placing shall take place on the third business day after the fulfilment of the above condition or on such other date as the Company and the Placing Agent may agree in writing.

Since completion of the Placing is subject to the fulfilment of the condition as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

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

As disclosed above, the net proceeds of the Placing (after deduction of commission and other expenses of the Placing) are expected to amount to approximately HK\$27.86 million will be applied (i) as to not less than HK\$22.29 million for the capital injection into Heng He as its general working capital to facilitate the expansion of the financial leasing business, by increasing the budget of funding amounts to the lessees and exploring other regions in the PRC (further details of the acquisition in relation to Heng He can be referred to the circular of the Company dated 17 March 2015); and (ii) the remaining for the strengthening of the general working capital base of the Company to finance its business development and/or to finance any future investment opportunities or any future needs in repaying its outstanding debts.

The Directors are of the view that the Placing, further to the capital injection into Heng He, provides working capital to the Group to meet future developments and investment opportunities and may improve the gearing ratio and strengthen the financial position of the Group if so needed. The Placing also represents good opportunity to broaden the shareholders' base and the capital base of the Company. The Directors consider that the Placing is in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

Apart from the fund raising activities mentioned below, the Company had not conducted any other equity 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
10 May 2015	Open offer on the basis of two offer shares for every one Share held on the record date	HK\$66.22 million	(i) as to not less than 80% for the capital injection into Heng He as its general working capital to facilitate the expansion of the financial leasing business; and (ii) the remaining for the general working capital of the Group	Approximately HK\$48 million has been used for the capital injection into Heng He to support its financial leasing business in August 2015. Not less than HK\$4.98 million will be used for the capital injection into Heng He. Approximately HK\$6 million has been used as and approximately HK\$7.24 million will be used for the general working capital of the Group as intended
17 August 2015	Placing of new Shares under general mandate	HK\$8.50 million	to strengthen the general working capital base of the Company to finance its business development and/or to finance any future investment opportunities	HK\$2.5 million has been paid as a refundable deposit to the existing shareholder of Xiaxin Securities pursuant to an acquisition agreement dated 10 August 2015. The remaining HK\$6.00 million is deposited in bank and will be used as general working capital of the Company and/or to finance any investment opportunities as intended

Further to the above fund raising activities, on 12 November 2015 (after trading hours), the Company and Guoyuan Securities Brokerage (Hong Kong) Limited (the “Placing Agent”), as placing agent, entered into a placing agreement as supplemented by a supplemental agreement dated 30 November 2015 (together the “Placing Agreement”) pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best endeavour basis, up to 245,000,000 placing shares, to not less than six places who and whose ultimate beneficial owners would be independent third parties (as defined in the GEM Listing Rules) at a price of HK\$0.170 per placing share that would be allotted and issued pursuant to the General Mandate granted to the Directors at the extraordinary general meeting of the shareholders of the Company held on 2 October 2015. However, the Placing Agent unilaterally terminated the Placing Agreement and the placing contemplated thereunder on 2 December 2015.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

To the best of the Directors' knowledge, information and belief after having made all reasonable enquires, the existing shareholding structure of the Company and the effect on the shareholding structure of the Company immediately upon completion of the Placing (assuming all the Placing Shares are placed in full and there is no other change in the shareholding structure of the Company before the issue of the Placing Shares under the Placing) are set out as below:

Shareholders	As at the date of this announcement		Upon completion of the Placing	
	Number of Shares	(approx.) %	Number of Shares	(approx.) %
Cheung Wai Yin, Wilson (note 1)	98,995,314	8.08	98,995,314	6.73
Lau Chi Yan, Pierre (note 2)	3,984,375	0.33	3,984,375	0.27
The Places	–	–	245,000,000	16.66
Other public Shareholders	<u>1,122,114,463</u>	<u>91.59</u>	<u>1,122,114,463</u>	<u>76.34</u>
Total	<u>1,225,094,152</u>	<u>100.00</u>	<u>1,470,094,152</u>	<u>100.00</u>

Notes:

- The interests disclosed include 98,437,500 Shares held by Ivana, a company incorporated in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiastrust Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder (as defined in the SFO) of which is Mr. Cheung Wai Yin, Wilson and the discretionary objects of which are family members of Mr. Cheung Wai Yin, Wilson (including Mr. Cheung Wai Yin, Wilson himself). The remaining 557,814 Shares are held by Mr. Cheung Wai Yin, Wilson personally.
- Mr. Lau Chi Yan, Pierre is the Managing Director of the Company.

GENERAL

The Placing Shares will be issued under the General Mandate which was granted in the EGM with a maximum of 245,018,830 Shares that may be issued. As at the date of this announcement, the Company has not issued any Shares pursuant to the General Mandate, the Company is allowed to issue up to 245,018,830 Shares under the General Mandate.

Accordingly, the Placing and issue of the Placing Shares will not be subject to any Shareholders' approval.

Applications will be made to the Stock Exchange for the listing of, and permission to deal in the Placing Shares.

DEFINITIONS

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

“associates”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors
“Company”	Merdeka Financial Services Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company held on 2 October 2015 at which, among other things, the General Mandate was granted to the Directors
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate granted to the Directors at the EGM to allot, issue or otherwise deal with additional Shares
“Group”	the Company and its subsidiaries
“Heng He”	恒河融資(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\$”	the Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

* *For identification purpose only*

“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons or their respective associates
“Long Stop Date”	31 March 2016 or such later date as the Company and the Placing Agent may agree in writing
“Placee(s)”	any individuals, corporate, institutional investors or other investors to be procured by or on behalf of the Placing Agent under the Placing
“Placing”	the offer by way of private placing of the Placing Shares by the Placing Agent to the Placee(s), on a best endeavour basis, on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Convoy Investment Services Limited, a licensed corporation to carry out business in type 1 regulated activity (dealing in securities), type 2 regulated activity (dealing in future contract), type 4 regulated activity (advising on securities) and type 9 regulated activity (asset management) under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 14 March 2016 in relation to the Placing under the General Mandate
“Placing Price”	HK\$0.119 per Placing Share
“Placing Shares”	a maximum of 245,000,000 new Shares to be placed pursuant to the Placing Agreement and each a “Placing Share”
“PRC”	The People’s Republic of China and for the purpose of this announcement, excluding Hong Kong, The Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company

“Shareholder(s)” holder(s) of the Share(s)
“Stock Exchange” The Stock Exchange of Hong Kong Limited
“%” per cent.

By Order of the Board of
MERDEKA FINANCIAL SERVICES GROUP LIMITED
Cheung Wai Yin, Wilson
Chairman and Chief Executive Officer

Hong Kong, 14 March 2016

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>.