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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 TRANSACTION
IN RELATION TO
THE FINANCE LEASE AGREEMENT AND
THE FACTORING AGREEMENT**

Financial Adviser to the Company



THE FINANCE LEASE AGREEMENT

The Board announces that on 1 August 2016 (after trading hours), Heng He, an indirect non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreement with the Lessee, pursuant to which Heng He conditionally agreed to purchase the Leased Assets from the Lessee at a total consideration of RMB1,000 million (approximately HK\$1,170 million), which would be leased back to the Lessee at the aggregate Lease Receivables of approximately RMB1,103.39 million (approximately HK\$1,291 million) for a term of 2 years, commencing on the date of payment of the consideration for the Leased Assets.

* For identification purpose only

THE FACTORING AGREEMENT

The Board further announces that incidental to the entering into of the Finance Lease Agreement, Heng He entered into the Factoring Agreement with the Lender on 1 August 2016. Pursuant to the Factoring Agreement, the Lender agreed to provide a loan facility of RMB1,000 million (approximately HK\$1,170 million) to Heng He for the Lease Period solely for the purpose of financing the consideration for the Leased Assets under the Finance Lease Agreement and Heng He agreed to assign the Lease Receivables under the Finance Lease Agreement to the Lender without recourse and the Lender will half-yearly, after deducting the handling fee and the Loan Repayment, remit the Lease Receivables received by it from the Lessee to Heng He over the Lease Period.

GEM LISTING RULES IMPLICATIONS

As certain applicable percentage ratio(s) calculated under the GEM Listing Rules in respect of the transactions of entering into the Finance Lease Agreement and the Factoring Agreement are more than 100% but the transactions contemplated thereunder do not involve acquisition or disposal of assets, the transactions contemplated thereunder constitute a major transaction for the Company and are therefore subject to the notification, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

EGM

The EGM will be convened to consider and, if thought fit, pass the ordinary resolution(s) to approve, among other things, the Finance Lease Agreement and the Factoring Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has material interest in the Finance Lease Agreement and the Factoring Agreement. As such, no Shareholder will be required to abstain from voting at the EGM in respect of the Finance Lease Agreement, the Factoring Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further details of the Finance Lease Agreement and the Factoring Agreement and a notice of the EGM, will be despatched to the Shareholders within 15 business days of this announcement in accordance with the GEM Listing Rules.

The Board announces that on 1 August 2016 (after trading hours), Heng He, an indirect non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreement with the Lessee, pursuant to which Heng He conditionally agreed to purchase the Leased Assets from the Lessee at a total consideration of RMB1,000 million (approximately HK\$1,170 million), which would be leased back to the Lessee at the aggregate Lease Receivables of approximately RMB1,103.39 million (approximately HK\$1,291 million) for a term of 2 years, commencing on the date of payment of the consideration for the Leased Assets.

THE FINANCE LEASE AGREEMENT

The principal terms of the Finance Lease Agreement are set out below.

Date

1 August 2016

Parties

- (1) Heng He; and
- (2) the Lessee

The Lessee is a company incorporated in the PRC with limited liability and is a prime contractor company specialized in offshore engineering, construction, repair and conversion. Its main business covers jack-up/semi-sub drilling/production platform, drilling ship, wind turbine installation vessel and other fixed and floating drilling or oil and gas production facilities.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, the Lessee is the independent third party of the Company and its connected persons.

Subject matter

The Leased Assets mainly consist of drilling kit, deck crane, locking system and hoist system, and are wholly-owned by the Lessee as at the date of this announcement.

Sale and purchase arrangement

Pursuant to the Finance Lease Agreement, Heng He conditionally agreed to purchase the Leased Assets from the Lessee at a total consideration of RMB1,000 million (approximately HK\$1,170 million), which would be leased back to the Lessee for the Lease Period. The book value of the Leased Assets was RMB1,187.71 million (approximately HK\$1,390 million) as at the date of the Finance Lease Agreement. The consideration in respect of the sale and purchase of the Leased Assets was determined after arm's length negotiations between Heng He and the Lessee with reference to the carrying values and/or prevailing market price of the Leased Assets as at 30 June 2016.

The consideration for the Leased Assets will be financed by the loan facility provided by the Lender under the Factoring Agreement as described in the section headed "The Factoring Agreement" below.

Leaseback arrangement

Pursuant to the Finance Lease Agreement, Heng He agreed to lease the Leased Assets back to the Lessee at the aggregate Lease Receivables of approximately RMB1,103.39 million (approximately HK\$1,291 million), for a term of 2 years, commencing on the date of payment of the consideration for the Leased Assets.

Lease payments

Pursuant to the Finance Lease Agreement, the aggregate Lease Receivables shall be approximately RMB1,103.39 million (approximately HK\$1,291 million), being the principal lease cost of RMB1,000 million (approximately HK\$1,170 million) plus the aggregate interest (after tax) of approximately RMB103.39 million (approximately HK\$121 million), which shall be payable by the Lessee to Heng He in 4 installments on half-yearly basis.

The Lease Receivables is calculated at the interest rate of 5.1129% per annum during the Lease Period. The lease payments were determined after arm's length negotiation between Heng He and the Lessee with reference to the principal amount of the Leased Assets and the prevailing market interest rate for finance leases of comparable assets. In determining the prevailing market interest rate, Heng He has considered the market rates charged by certain financial leasing companies in the PRC in respect of loans with similar principal amount, tenure and leased assets.

Lessee's option to purchase

The legal title of the Leased Assets under the Finance Lease Agreement will be vested in Heng He throughout the Lease Period. At the end of the Lease Period and subject to payment by the Lessee of all amounts due under the Finance Lease Agreement, the Lessee will have the right to buy back the Leased Assets as specified in the Finance Lease Agreement at the nominal price of RMB1 (approximately HK\$1.17) and the legal title of the Leased Assets will be vested in the Lessee accordingly.

Default

If default is committed on the part of the Lessee, Heng He shall be entitled to, among others, (i) demand repayment of the Lease Receivables which are due and payable, default interest and the termination fee thereto; (ii) take possession of the Leased Assets and seek enforcement of the obligation of the Lessee under the Finance Lease Agreement; and (iii) claim for compensation for any losses or costs incurred against the Lessee.

The Board further announces that incidental to the entering into of the Finance Lease Agreement, Heng He entered into the Factoring Agreement with the Lender on 1 August 2016, details of which are set out below.

THE FACTORING AGREEMENT

The principal terms of the Factoring Agreement are set out below.

Date

1 August 2016

Parties

- (1) Heng He; and
- (2) the Lender

To the best of Directors' knowledge, information and belief, after having made all reasonable enquiries, the Lender is the independent third party of the Company and its connected persons.

Pursuant to the Factoring Agreement, the Lender agreed to provide a loan facility of RMB1,000 million (approximately HK\$1,170 million) to Heng He for the Lease Period solely for the purpose of financing the consideration for the Leased Assets under the Finance Lease Agreement and Heng He agreed to assign the Lease Receivables under the Finance Lease Agreement to the Lender without recourse and the Lender will half-yearly, after deducting the handling fee and the Loan Repayment, remit the Lease Receivables received by it from the Lessee to Heng He over the Lease Period.

Without prior written consent of the Lender, Heng He shall not demand any repayment of Lease Receivables directly from the Lessee during the Lease Period.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE AGREEMENT AND THE FACTORING AGREEMENT

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.

Heng He is a sino-foreign joint venture company with limited liability and is a non-wholly owned subsidiary of the Group. It 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 which are mainly manufacturing companies and governmental authorities.

Heng He can obtain stable revenue and cashflow stream from the interest to be received from the Finance Lease Agreement, which is in the ordinary and usual course of business of the Group. Following the entering into of the Factoring Agreement, a loan facility can be obtained from the Lender for the purchase of Leased Assets and thus Heng He can save its internal financial resources for other sale-and-leaseback services.

The Directors consider that the terms of each of the Finance Lease Agreement and the Factoring Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As certain applicable percentage ratio(s) calculated under the GEM Listing Rules in respect of the transactions of entering into the Finance Lease Agreement and the Factoring Agreement are more than 100% but the transactions contemplated thereunder do not involve acquisition or disposal of assets, the transactions contemplated thereunder constitute a major transaction for the Company and are therefore subject to the notification, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

EGM

The EGM will be convened to consider and, if thought fit, pass the ordinary resolution(s) to approve, among other things, the Finance Lease Agreement, the Factoring Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has material interest in the Finance Lease Agreement and the Factoring Agreement. As such, no Shareholder will be required to abstain from voting at the EGM in respect of the Finance Lease Agreement, the Factoring Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further details of the Finance Lease Agreement and the Factoring Agreement and a notice of the EGM, will be despatched to the Shareholders within 15 business days of this announcement in accordance with the GEM Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Merdeka Financial Services Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the GEM of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“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 Finance Lease Agreement, the Factoring Agreement and the transactions contemplated thereunder
“Factoring Agreement”	the agreement dated 1 August 2016 and entered into between Heng He and the Lender in relation to the assignment of the Lease Receivables under the Finance Lease Agreement to the Lender

“Finance Lease Agreement”	the agreement dated 1 August 2016 and entered into Heng He and Lessee, pursuant to which Heng He conditionally agreed to purchase the Leased Assets from the Lessee at a total consideration of RMB1,000 million (approximately HK\$1,170 million), which would be leased back to the Lessee at the aggregate Lease Receivables of approximately RMB1,103.39 million (approximately HK\$1,291 million) for the Lease Period
“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
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Lease Period”	a two-year period commencing from the date of payment made by Heng He to the Lessee for the purchase of Leased Assets under the Finance Lease Agreement
“Lease Receivables”	the lease receivables under the Finance Lease Agreement which amount to approximately RMB1,103.39 million (approximately HK\$1,291 million) in total, of which RMB1,000 million (approximately HK\$1,170 million) shall be the principal of the Lease Receivables and approximately RMB103.39 (approximately HK\$121 million) million shall be the interest accrued thereon
“Leased Assets”	certain assets consist of drilling kit, deck crane, locking system and hoist system, and are owned by the Lessee as at the date of this announcement

* For identification purpose only

“Lender”	上海浦東發展銀行股份有限公司 (Shanghai Pudong Development Bank Co., Ltd.*), Dalian Branch
“Lessee”	大連船舶重工集團海洋工程有限公司 (Dalian Shipbuilding Industry Offshore Co., Ltd.*), a company incorporated in the PRC with limited liability
“Loan Repayment”	the half-yearly repayment of loan principal and the interest accrued thereon pursuant to the Factoring Agreement
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company as at the date of this announcement
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For illustration purpose of this announcement and unless otherwise specified, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.17.

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

Hong Kong, 1 August 2016

* *For identification purpose only*

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>.