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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)**

**DISCLOSEABLE TRANSACTION  
IN RELATION TO  
THE FINANCE LEASE AGREEMENT**

**THE FINANCE LEASE AGREEMENT**

The Board announces that on 20 January 2017 (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 RMB25 million (approximately HK\$27.50 million), which would be leased back to the Lessee at the aggregate Lease Receivables of approximately RMB28.85 million (approximately HK\$31.73 million) for a term of 3 years, commencing on the date of payment of the consideration for the Leased Assets.

**GEM LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios calculated under the GEM Listing Rules in respect of the Finance Lease Agreement exceed 5% but are less than 25%, the transaction contemplated under the Finance Lease Agreement constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

\* *For identification purpose only*

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## **THE FINANCE LEASE AGREEMENT**

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

### **Date**

20 January 2017

### **Parties**

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

The Lessee is a company incorporated in the PRC with limited liability and is a company principally engaged in embroidery processing in the PRC.

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 the machineries and equipment in relation to the embroidery processing, 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 RMB25 million (approximately HK\$27.50 million), which would be leased back to the Lessee for the Lease Period. The book value of the Leased Assets was RMB30.36 million (approximately HK\$33.40 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 31 December 2016.

The consideration for the Leased Assets will be financed by the internal resources of the Group.

## **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 RMB28.85 million (approximately HK\$31.73 million), for a term of 3 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 RMB28.85 million (approximately HK\$31.73 million), being the principal lease cost of RMB25 million (approximately HK\$27.50 million) plus the aggregate interest and handling fee (after tax) of approximately RMB3.85 million (approximately HK\$4.23 million). The aggregate interest shall be payable by the Lessee to Heng He in 12 installments on quarterly basis.

The Lease Receivables is calculated at the interest rate of 6.175% 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\$1.10) 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 by commencing applicable PRC legal action 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.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE AGREEMENT**

The Group is principally engaged in financial services business, trading business 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.

The Directors consider that the terms of the Finance Lease 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 one or more of the applicable percentage ratios calculated under the GEM Listing Rules in respect of the Finance Lease Agreement exceed 5% but are less than 25%, the transaction contemplated under the Finance Lease Agreement constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 19 of 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  |
| “Finance Lease Agreement” | the agreement dated 20 January 2017 and entered into between Heng He and the Lessee, pursuant to which Heng He conditionally agreed to purchase the Leased Assets from the Lessee at a total consideration of RMB25 million (approximately HK\$27.50 million), which would be leased back to the Lessee at the aggregate Lease Receivables of approximately RMB28.85 million (approximately HK\$31.73 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 three-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 RMB28.85 million (approximately HK\$31.73 million) in total, of which RMB25 million (approximately HK\$27.50 million) shall be the principal of the Lease Receivables and approximately RMB3.85 (approximately HK\$4.23 million) million shall be the interest accrued thereon and the handling fee |
| “Leased Assets”     | certain assets consist of the machineries and equipment in relation to the embroidery processing and are owned by the Lessee as at the date of this announcement  |
| “Lessee”            | 上海長城電腦繡花有限公司 (Shanghai Zhang Cheng Computerized Embroidery Company Limited*), a company incorporated in the PRC with limited liability  |
| “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   |

\* For identification purpose only

“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\$1.10.*

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

Hong Kong, 20 January 2017

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>.*