

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares.



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 PROPOSED ACQUISITION OF 51% OF THE ISSUED SHARES IN
HENG ASSET MANAGEMENT LIMITED
INVOLVING THE ISSUE OF CONSIDERATION SHARES
UNDER SPECIFIC MANDATE**

THE AGREEMENT

On 7 February 2017 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor and the Guarantor, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 51% of the issued share capital of the Target at a consideration of HK\$10,000,000 which will be settled by the allotment and issue of the Consideration Shares by the Company to the Vendor or its nominee upon Completion.

* *For identification purposes only*

GENERAL

As the applicable ratios under Chapter 19 of the GEM Listing Rules exceed 5% but are below 25%, the Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules. The Consideration Shares will be allotted and issued under the Specific Mandate to be sought at the EGM.

The EGM will be convened and held for the purpose of considering and, if thought fit, approving, the Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate. A circular containing, among other things, (i) further details of the Agreement; and (ii) a notice convening the EGM, will be despatched to the Shareholders by the Company as soon as possible.

Shareholders and potential investors shall note that completion of the Acquisition is subject to the conditions precedent and may or may not materialise. Shareholders and potential investor are advised to exercise caution when dealing in the securities of the Company.

On 7 February 2017 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor and the Guarantor. Details of the Agreement are set out as follows:

THE AGREEMENT

Date: 7 February 2017

Parties:

- (1) Purchaser: Merdeka Financial Services Limited, a wholly-owned subsidiary of the Company;
- (2) Vendor: B-Innovare Limited; and
- (3) Guarantor: Mr. Ip Yu Chak

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, the Vendor is an investment holding company, and each of the Vendor, its ultimate beneficial owner(s), and their respective associates and the Guarantor is an Independent Third Party.

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 51% of the issued share capital of the Target. The Target is principally engaged in the provision of Type 4 (advising on securities) and Type 9 (assets management) regulated activities under the SFO.

Consideration

The Consideration is HK\$10,000,000, which will be satisfied by the allotment and issue of the Consideration Shares at the Issue Price of HK\$0.10 per Consideration Share by the Company to the Vendor or its nominee upon Completion.

The Consideration was determined with reference to (i) the audited net asset value of the Target in the amount of approximately HK\$5.2 million as at 31 October 2016; (ii) various reasons for the proposed Acquisition as elaborated further under the paragraph headed “Reasons for the Acquisition” below; and (iii) the future prospect of the principal business of the Target in the provision of Type 4 (advising on securities) and Type 9 (Assets Management) regulated activities under the SFO.

Guarantee

Pursuant to the Agreement, the Guarantor has agreed to guarantee the due and punctual performance of the Vendor’s obligations under the Agreement.

Put Option

Pursuant to the terms of shareholders' deed to be executed among the Vendor, the Purchaser, the Company and the Target upon Completion, the Purchaser will grant a put option to the Vendor entitling the Vendor to require the Purchaser to purchase the remaining 49% of the issued share capital of the Target for a cash consideration of HK\$10,000,000. The put option shall be exercisable by the Vendor after the date (the "**Designated Date**") on which the following occurs, whichever is earliest: (a) the Group has committed a material breach of any provisions of the shareholders' deed; or (b) the day next following the second anniversary of the date of the shareholders' deed; or (c) the Purchaser ceases to hold more than 30% of the issued shares of the Target, until the day next following the second anniversary of the Designated Date. The Company has agreed to guarantee the performance of the Purchaser's obligations in relation to this put option under the shareholders' deed.

The Consideration Shares

The Issue Price of HK\$0.10 per Consideration Share represents:

- (a) a discount of approximately 12.3% to the closing price per Share of HK\$0.114 as quoted on the Stock Exchange on 7 February 2017, being the date of the Agreement;
- (b) a discount of approximately 2.9% to the average closing price per Share of HK\$0.103 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Agreement; and
- (c) a premium of approximately 1.0% over the average closing price per Share of HK\$0.099 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Agreement.

The Issue Price was arrived at after arm's length negotiations between the Purchaser and the Vendor with reference to the current market price and the current market conditions. The Directors, including the independent non-executive Directors, consider the Issue Price to be fair and reasonable.

The Consideration Shares will be issued under the Specific Mandate to be approved by the Shareholders at the EGM. The Consideration Shares represent approximately 6.2% of the issued share capital of the Company as at the date of this announcement and approximately 5.8% of the issued share capital of the Company as enlarged by the Consideration Shares.

The Consideration Shares will, upon issue, rank pari passu in all respects with all the existing shares of the Company then in issue.

Conditions precedent

Completion is conditional upon the fulfillment of the following conditions precedent:

- (a) the Purchaser being satisfied in its absolute discretion with the results of the due diligence review conducted on the assets, liabilities, operations and affairs of the Target;
- (b) the warranties given by the Vendor and the Guarantor under the Agreement remaining true and accurate in all material respects;
- (c) all necessary consents, licenses and approvals from the shareholders, bankers, financial institutions and regulators required to be obtained on the part of the Vendor and the Target in respect of the Agreement and the transactions contemplated therein having been obtained and remain in full force and effect;
- (d) the approval from the SFC in relation to the Purchaser and/or the Company's application to become of substantial shareholder (as defined in the SFO) of the Target having been obtained;
- (e) the passing by the Shareholders at the EGM of an ordinary resolution to approve the Agreement and the transactions contemplated therein, including but not limited to the allotment and issue of the Consideration Shares to the Vendor at the Issue Price;
- (f) the Stock Exchange granting approval for the listing of and permission to deal in the Consideration Shares; and
- (g) the Shares remaining listed and traded on GEM at Completion and the current listing of the Shares not having been withdrawn and no indication being received at or before Completion from the Stock Exchange or the SFC to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of Completion or in connection with the terms of the Agreement or for any other reason.

Save that the Purchaser may at any time waive in writing the conditions set out in (a) and (b) above, all other conditions set out above are incapable of being waived by either the Purchaser or the Vendor.

If the conditions precedent set out above have not been satisfied (or as the case may be, waived by the Purchaser) on or before 4:00 p.m. on 31 October 2017, or such later date as the Vendor and the Purchaser may agree, the Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place on the date falling on the fifth Business Day after the fulfilment (or waiver) of all the conditions precedent above (or such later date as the Vendor and the Purchaser may agree).

Upon Completion, the Sale Shares will be transferred to the Purchaser and the Target will become an indirect non wholly-owned subsidiary of the Company.

EFFECT OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the issue and allotment of the Consideration Shares upon Completion:

Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the Consideration Shares upon Completion	
	<i>Number of Shares</i>	<i>Approximate % shareholding</i>	<i>Number of Shares</i>	<i>Approximate % shareholding</i>
Cheung Wai Yin, Wilson <i>(note 1)</i>	98,995,314	6.11	98,995,314	5.76
Lau Chi Yan, Pierre <i>(note 2)</i>	3,984,375	0.25	3,984,375	0.23
Vendor or its nominee	–	–	100,000,000	5.81
Other public Shareholders	<u>1,517,114,463</u>	<u>93.64</u>	<u>1,517,114,463</u>	<u>88.20</u>
Total	<u>1,620,094,152</u>	<u>100</u>	<u>1,720,094,152</u>	<u>100</u>

Notes:

1. The interests disclosed include 98,437,500 Shares held by Ivana Investments Limited, a company incorporated in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiatruster 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.
2. Mr. Lau Chi Yan, Pierre is the Managing Director of the Company.

INFORMATION ON THE TARGET

The Target is a company incorporated in Hong Kong on 27 September 2011 with limited liability and is wholly and beneficially owned by the Vendor. The Target is principally engaged in the provision of Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

Set out below is a summary of the key financial data of the Target based on the audited accounts of the Target for the two years ended 31 October 2016 as provided by the Vendor which were prepared in accordance with the generally accepted accounting principles in Hong Kong:

	For the year ended 31 October 2016	For the year ended 31 October 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
(Loss)/Profit before taxation	(205,317)	2,257,090
(Loss)/Profit after taxation	<u>(182,622)</u>	<u>1,888,295</u>

The audited net assets value of the Target as at 31 October 2016 was approximately HK\$5,165,255.

REASONS FOR THE ACQUISITION

The Company is an investment holding company and its subsidiaries are principally engaged in financial services business, trading business and information technology business.

The Target is currently licenced under Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. After the acquisition of its indirect wholly-owned subsidiary, Merdeka Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO, the Group has been actively seeking to expand the type of financial products and services offered to its clients and the Directors consider that the Acquisition would enable the Group to further diversify its business within the financial services sector through direct investment in and hands-on management and operation of the Target. If the Acquisition is completed, the Group is expected to take advantage of the future growth in capital markets and continuous products development, by diversifying its business further within the financial services sector and to broaden the Group's revenue base.

Taking into account of the above, the Board believes that the Acquisition will further diversify the business of the Group within the financial services sector and will broaden the Group's revenue base.

The Board considers that the terms and conditions of the Acquisition have been arrived at after arm's length negotiations between the Purchaser and the Vendor, and that the Acquisition is on normal commercial terms and are fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As all the applicable ratios under Chapter 19 of the GEM Listing Rules exceed 5% but are below 25%, the Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules.

The Consideration Shares will be allotted and issued under the Specific Mandate to be sought at the EGM. Applications will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Consideration Shares.

EGM

The EGM will be convened and held for the purpose of considering and, if thought fit, approving, the Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate. A circular containing, among other things, (i) further details of the Agreement; and (ii) a notice convening the EGM, will be despatched to the Shareholders by the Company as soon as possible.

Shareholders and potential investors shall note that completion of the Acquisition is subject to the conditions precedent and may or may not materialise. Shareholders and potential investor are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the proposed acquisition by the Purchaser of the Sale Shares from the Vendor subject to and upon the terms and conditions of the Agreement
“Agreement”	the conditional sale and purchase agreement dated 7 February 2017 and entered into among the Purchaser, the Vendor and the Guarantor relating to the Acquisition
“associate”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	board of the Directors
“Business Day”	a day (excluding Saturday, Sunday or public holiday) in Hong Kong on which licensed banks are generally open for business throughout their normal working hours
“Company”	Merdeka Financial Services Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on GEM
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the consideration of HK\$10,000,000 for the Acquisition
“Consideration Shares”	100,000,000 new Shares to be allotted and issued to the Vendor or its nominee upon Completion

“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, and if thought fit, to approve, among other things, the Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Ip Yu Chak
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons
“Issue Price”	HK\$0.10 per Consideration Share
“Purchaser”	Merdeka Financial Services Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability
“Sale Shares”	2,550,000 ordinary shares in the issued share capital of the Target, being 51% of the issued share capital of the Target as at the date of the Agreement which are legally and beneficially owned by the Vendor
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)

“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)
“Specific Mandate”	the specific mandate to be granted to the Directors by the Shareholders at the EGM to allot and issue the Consideration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Heng Asset Management Limited, a company incorporated in Hong Kong with limited liability and the entire issued share capital of which is wholly and beneficially owned by the Vendor
“Vendor”	B-Innovare Limited, the sole beneficial shareholder of the Target prior to the Completion and the vendor to the Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 7 February 2017

As at the date of this announcement, the Board comprises:

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>.