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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)

PROPOSED SHARE CONSOLIDATION

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The Board proposes to implement the Share Consolidation on the basis that every ten (10) issued and unissued Shares of par value of HK\$0.001 each in the share capital of the Company will be consolidated into one (1) Consolidated Share of par value of HK\$0.01 each.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the Share Consolidation. A circular containing, among other things, further details of the proposed Share Consolidation and a notice convening the EGM are expected to be despatched to the Shareholders on or before 29 July 2019.

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Effects of the Share Consolidation

As at the date of this announcement, the authorised share capital of the Company is HK\$200,000,000 divided into 200,000,000,000 Shares of par value of HK\$0.001 each, of which 2,040,094,152 Shares have been issued as fully paid or credited as fully paid. Assuming that no further Shares are allotted, issued or repurchased between the date of this announcement and the date of the EGM, upon the Share Consolidation becoming effective, the authorised share capital of the Company shall become HK\$200,000,000 divided into 20,000,000,000 Consolidated Shares of par value of HK\$0.01 each, of which 204,009,415 Consolidated Shares will be in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank pari passu in all respects with each other. The Share Consolidation will not result in any change in the rights of the Shareholders. Other than the expenses to be incurred in relation to the Share Consolidation, the implementation of the Share Consolidation will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders.

Conditions of the Share Consolidation

The implementation of the Share Consolidation is conditional upon:

- (i) the passing of an ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation;
- (ii) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective; and
- (iii) the compliance with all relevant procedures and requirements under the applicable laws of the Cayman Islands and the GEM Listing Rules to effect the Share Consolidation.

The Share Consolidation will become effective on the second Business Day immediately following the fulfilment of the above conditions.

Listing application

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, upon the Share Consolidation being effective, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

No part of the share capital of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

OTHER ARRANGEMENTS

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares, if any, will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefits of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of existing share certificates held by such holder.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company will appoint a securities firm to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Details of the odd lot arrangement will be set out in the circular to be despatched to the Shareholders.

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

Free exchange of certificates for Consolidated Shares

Subject to the Share Consolidation becoming effective, which is currently expected to be Monday, 19 August 2019, being the second Business Day immediately after the date of the EGM, Shareholders may on or after Monday, 19 August 2019 and until Tuesday, 24 September 2019 (both days inclusive), submit their existing share certificates for the Shares in blue colour to the Company's branch share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to exchange for new share certificates for the Consolidated Shares in green colour at the expense of the Company.

Thereafter, existing share certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each new share certificate for the Consolidated Shares issued or each existing share certificate for the Shares submitted for cancellation, whichever is higher.

The existing share certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:00 p.m. on Friday, 20 September 2019 and thereafter will not be accepted for delivery, trading and settlement purposes. However, the existing share certificates will continue to be good evidence of title to the Consolidated Shares on the basis of ten (10) Shares for one (1) Consolidated Share.

Adjustments in relation to other securities of the Company

As at the date of this announcement, there are outstanding convertible bonds of the Company (i) in the principal amount of HK\$124,068,000, which are convertible into 1,305,978,947 Shares at the conversion price of HK\$0.095 per Share; and (ii) in the principal amount of HK\$40,000,000, which are convertible into 173,913,043 Shares at the conversion price of HK\$0.23 per Share. The proposed Share Consolidation may lead to adjustment to the conversion price of the convertible bonds of the Company and the number of Consolidated Shares which may fall to be issued upon exercise of the conversion rights attaching to the convertible bonds, such adjustment to be made in accordance with the terms and conditions of the convertible bonds. The Company will make further announcement(s) on such adjustment(s) as and when appropriate.

As at the date of this announcement, there are outstanding Share Options for subscription of an aggregate of 213,367,323 Shares under the Share Option Scheme. The Share Consolidation may lead to adjustments to the exercise price and/or the number of Consolidated Shares falling to be issued upon exercise of the outstanding Share Options pursuant to the terms and conditions of the Share Option Scheme and the GEM Listing Rules. The Company will make further announcement(s) on such adjustments as and when appropriate.

Save for the aforesaid, the Company has no other outstanding options, warrants or securities in issue which are convertible or exchangeable into Shares as at the date of this announcement.

REASONS FOR THE SHARE CONSOLIDATION

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 3 July 2018 has further stated that (i) market price of the Shares at a level less than HK\$0.1 will be considered as trading at extremity as referred to under Rule 17.76 of the GEM Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

In view of the recent trading prices of the Shares at a level less than HK\$0.1 and the existing board lot value being less than HK\$2,000, the proposed Share Consolidation will increase the nominal value of the Shares and would bring about a corresponding upward adjustment in the trading price per board lot of the Consolidated Shares on the Stock Exchange. As such, it would (i) enable the Company to comply with the trading requirements under the GEM Listing Rules; and (ii) reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction costs for each securities trade.

The Board considers that the Share Consolidation would maintain the trading amount for each board lot at a reasonable level in order to attract more investors. The Board believes that the Share Consolidation will not have any material adverse effect on the financial position of the Group nor result in change in the relative rights of the Shareholders.

In view of the above, the Directors are of the view that the Share Consolidation is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EXPECTED TIMETABLE

Set out below is the expected timetable for the implementation of the Share Consolidation:

2019

Despatch date of circular with notice of the EGM	on or before Monday, 29 July
Latest time for lodging share transfer in order to qualify for attending and voting at the EGM	4:30 p.m. on Friday, 9 August
Closure of register of members for determining the entitlement to attend and vote at the EGM (both dates inclusive)	Monday, 12 August to Thursday, 15 August
Latest time for lodging forms of proxy for the EGM	11:00 a.m. on Tuesday, 13 August
Date and time of the EGM	11:00 a.m. on Thursday, 15 August
Announcement of voting results of the EGM	Thursday, 15 August
Effective date of the Share Consolidation	Monday, 19 August
First day of free exchange of existing share certificates for new share certificates for the Consolidated Shares	Monday, 19 August
Dealing in the Consolidated Shares commences	9:00 a.m. on Monday, 19 August
Original counter for trading in the Existing Shares in board lots of 20,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Monday, 19 August
Temporary counter for trading in the Consolidated Shares in board lots of 2,000 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Monday, 19 August
Original counter for trading in the Consolidated Shares in board lots of 20,000 Consolidated Shares (in the form of new share certificates for the Consolidated Shares) re-opens	9:00 a.m. on Monday, 2 September
Parallel trading in the Consolidated Shares (in the form of new share certificates for the Consolidated Shares and existing share certificates) commences	9:00 a.m. on Monday, 2 September

Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares	9:00 a.m. on Monday, 2 September
Temporary counter for trading in the Consolidated Shares in board lots of 2,000 Consolidated Shares (in the form of existing share certificates) ends	4:00 p.m. on Friday, 20 September
Parallel trading in the Consolidated Shares (in the form of new share certificates for the Consolidated Shares and existing share certificates) ends	4:00 p.m. on Friday, 20 September
Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Shares	4:00 p.m. on Friday, 20 September
Last day for free exchange of existing share certificates for new share certificates for the Consolidated Shares	Tuesday, 24 September

GENERAL

The EGM will be convened and held for the Shareholders to consider, and if thought fit, approve, among other things, the Share Consolidation. No Shareholders are required to abstain from voting on the resolution in relation to the Share Consolidation to be proposed at the EGM.

The Circular containing, among other things, further details of the Share Consolidation together with a notice of EGM will be despatched to the Shareholders on or before 29 July 2019.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Merdeka Financial Services Group Limited (萬德金融服務集團有限公司*), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the GEM
“Consolidated Share(s)”	ordinary share(s) with a par value of HK\$0.01 each in the share capital of Company upon the Share Consolidation becoming effective
“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, among other things, the Share Consolidation
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries (from time to time)
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Listing Committee”	has the meaning ascribed thereto under the GEM Listing Rules
“Share(s) or Existing Share(s)”	the ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Share Consolidation”	the proposed consolidation of every ten (10) issued and unissued Existing Shares of par value of HK\$0.001 each in the share capital of the Company into one (1) Consolidated Share of par value of HK\$0.01 each

“Share Option(s)”	share option(s) granted under the Share Option Scheme entitling the holders thereof to subscribe for Share(s)
“Share Option Scheme”	the share option scheme of the Company adopted on 3 May 2012
“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, 17 July 2019

As at the date of this announcement, Mr. Cheung Wai Yin, Wilson (Chairman and Chief Executive Officer) and Ms. Tsang Kwai Ping are executive Directors; Ms. Yeung Mo Sheung, Ann, Mr. Au-yeung Sei Kwok and Ms. Ng Ka Sim, Casina are independent non-executive Directors.

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>.

* For identification purpose only