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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)

SUPPLEMENTAL ANNOUNCEMENT

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Reference is made to the announcement of Merdeka Financial Services Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 12 July 2019 in relation to the placing of new shares under general mandate (the “**Announcement**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Announcement. The Company wishes to provide the Shareholders and the potential investors with the following additional information in relation to the Placing.

As disclosed in the Announcement, the estimated net proceeds from the Placing will be approximately HK\$6.26 million. The Company intends to use such net proceeds from the placing as to (i) approximately HK\$3.1 million as to salary, Director’s fee and mandatory provident fund schemes; (ii) approximately HK\$1.5 million as to rent and rates; and (iii) approximately HK\$1.66 million as to maintain and expand in financial services business.

Based on the Company’s estimation on the capital requirement with respect to its general working capital and repayment of short term liabilities as at 30 June 2019, it is projected that the Company would require an aggregate capital of (i) approximately HK\$21.6 million for the general working capital of the Group; (ii) approximately HK\$51.7 million to settle the outstanding promissory notes issued by the Company; and (iii) approximately HK\$38.5 million to settle the payables owed by the Company, for the upcoming 12 months period. The Board does not expect that the net proceeds from the Placing would be able to satisfy the entire capital needs of the Group in the next 12 months period and the Directors might consider additional fund raising activities to settle the outstanding promissory notes and borrowings in near future.

As at 19 July 2019, the Company had bank balances and cash in the total amount of approximately HK\$16.4 million. Amongst the HK\$16.4 million, the Company has to retain (i) approximately HK\$4.5 million for the Group's financial services business pursuant to the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time (the "FRR"); and (ii) approximately HK\$3 million for the payment of the unpaid pre-completion dividend to Veda Corporation Limited in accordance with the sale and purchase agreement for the acquisition of Veda Corporate Services Limited entered into by Veda Corporation Limited (being the vendor) and Earning Action Limited (being the purchaser and as a subsidiary of the Company) on 18 February 2019 ("Dividend Distribution"). Hence, the Group is required to keep approximately HK\$7.5 million for the purposes of FRR and Dividend Distribution, such that the available bank balances and cash of the Group shall be approximately HK\$8.9 million. Although the available bank balances and cash of the Group are sufficient for the Company's operation for four to five months, the Directors consider that it is more prudent for the Company to conduct the Placing to increase its cash level as soon as possible to meet any unexpected working capital funding need of the Group and allow sufficient time for the Company to explore other funding raising methods to meet the funding needs for the next 12 months.

The net current asset of the Group is mainly represented by the financial lease receivables in PRC. The Group intends to retain such amount as working capital for the Group's PRC financial leasing business. In addition, there is foreign exchange control in the PRC and it involves a lengthy approval process before the Group can obtain the necessary approval for remitting funds from the PRC to Hong Kong. As compared to remitting funds from the PRC, the Directors consider that the Placing is a more desirable and swift way to raise additional funding for the working capital requirement of the Company.

As compared to other fund raising methods such as debt financing and other pre-emptive fund raising activities the Directors consider that the Placing is a more feasible and the swiftest method to replenish the working capital of the Company to a more desirable level with certainty and allow sufficient time for the Company to explore other fund raising methods to meet the funding needs for the next 12 months given that (i) debt financing will be subject to lengthy due diligence and negotiations with the banks and provision of numerous documents to the banks for credit evaluation process which is time consuming before entering into any debt financing agreement; and (ii) other pre-emptive fund raising activities such as rights issue and open offer are also time-consuming involving lengthy negotiations with potential underwriters, preparation of circular and prospectus, vetting and shareholders' approval process. In addition, there is uncertainty as to whether the above fund raising methods will be successful. By the time when the results are available, the working capital of the Company may be depleted to a very tight level, which poses a significant risk to the Company.

The above additional information does not affect other information contained in the Announcement. Save as disclosed above, all other information in the Announcement remains unchanged.

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

Hong Kong, 25 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*