THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this circular or as to what action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Merdeka Financial Services Group Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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 AND CONNECTED TRANSACTION CAPITAL INJECTION AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company
Donvex Capital Limited

Donvex 富域資本
Donvex Capital Limited
富域資本有限公司

A letter from the Board is set out on pages 3 to 16 of this circular.

A notice convening the EGM to be held at Jasmine Room, 3/F., Best Western Plus Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong at 11:00 a.m. on Tuesday, 26 April 2016 is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event no less than 48 hours before the appointed time for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

This circular 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*

7 April 2016

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise.

"2013 Capital Injection Agreement"	a capital injection agreement entered into by Ideal Magic, Shanghai Xunli and Heng He dated 14 December 2013 in respect of the capital injection of RMB70 million into Heng He
"Board"	the board of Directors
"Capital Injection"	the capital injection in the amount of RMB84.1 million and RMB45.9 million by Ideal Magic and Shanghai Xunli, respectively, to the registered capital of Heng He by way of cash contribution pursuant to the Capital Injection Agreement
"Capital Injection Agreement"	a supplemental capital injection agreement to the 2013 Capital Injection Agreement entered into by Ideal Magic, Shanghai Xunli and Heng He dated 14 December 2015 in respect of the Capital Injection
"Company"	Merdeka Financial Services Group Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the issued shares of which are listed on GEM (stock code: 8163)
"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 the Capital Injection Agreement and the transactions contemplated thereunder, including the Capital Injection
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
"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

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"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Ideal Magic"	Ideal Magic International Limited (裕驊國際有限公司), a company incorporated in Hong Kong with limited liability
"Latest Practicable Date"	1 April 2016, being the latest practicable date for the purpose of ascertaining certain information included in this circular
"PRC"	the People's Republic of China, for the purposes of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Shanghai Xunli"	上海市巽離股權投資管理有限公司 (Shanghai Xunli Equity Investment Management Limited*), a company established in the PRC which is principally engaged in investment holding
"Share(s)"	share(s) of nominal value of HK$0.001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the share(s) in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent

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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)

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

Registered office:
Cricket Square
Hutchison Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
British West Indies

Head office and principal place of business in Hong Kong:
Room 1502
Chinachem Century Tower
178 Gloucester Road
Wanchai, Hong Kong

7 April 2016

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION CAPITAL INJECTION AGREEMENT

INTRODUCTION

Reference is made to the announcement of the Company dated 14 December 2015 in relation to the Capital Injection.

Pursuant to the 2013 Capital Injection Agreement, Ideal Magic, an indirect wholly owned subsidiary of the Company, has to inject the sum of RMB70 million in cash into Heng He on or before 14 December 2015 as its general working capital to facilitate the expansion of the financial leasing business. As at the date of this circular, Ideal Magic had injected sum of approximately RMB38 million in cash into Heng He as its registered and

* *For identification purpose only*

paid up capital. As such, Ideal Magic has an outstanding capital commitment of approximately RMB32 million and own as to approximately 56.97% interest in Heng He as at the date of this circular.

On 14 December 2015, Ideal Magic and Shanghai Xunli entered into the Capital Injection Agreement to increase the registered capital of Heng He from RMB170 million to RMB300 million.

The purpose of this circular is to provide you with, among other things, (i) further details of the Capital Injection Agreement; and (ii) a notice convening the EGM.

THE CAPITAL INJECTION AGREEMENT

Major terms of the Capital Injection Agreement are set out below.

Date

14 December 2015 (after trading hours)

Parties

(i) Ideal Magic, an indirect wholly-owned subsidiary of the Company

(ii) 上海市巽離股權投資管理有限公司 (Shanghai Xunli Equity Investment Management Limited*)

The total capital injection amount of RMB130 million will be contributed by Ideal Magic and Shanghai Xunli in accordance with the proportion of share interest owned by the respective parties after the completion of the outstanding capital commitment of RMB32 million as mentioned above. Upon the full settlement of the outstanding capital commitment of RMB32 million, Ideal Magic and Shanghai Xunli will own as to approximately 64.71% and 35.29% interest in Heng He.

As such, Ideal Magic and Shanghai Xunli had agreed to contribute approximately RMB84.1 million (approximately HK$101.8 million) and approximately RMB45.9 million, respectively. The shareholding of Heng He will remain owned as to approximately 64.71% by Ideal Magic and 35.29% by Shanghai Xunli upon the full settlement of the Capital Injection.

Settlement of Capital Injection

Pursuant to the Capital Injection Agreement, all outstanding capital commitment including the capital injection of RMB130 million shall be settled by both parties within three years from the date which the business license of Heng He have been updated to reflect the change in registered capital. As at the Latest Practicable Date, the business license of Heng He have not been updated and there is no set timetable for the capital injection within the time period of three years.

* *For identification purpose only*

Condition Precedent

Completion of the Capital Injection shall be conditional upon, amongst others, the following conditions precedent being fulfilled:

(i) the passing by the Shareholders in accordance with the GEM Listing Rules and all applicable laws at the EGM of resolutions approving the Capital Injection Agreement and the transactions contemplated thereunder;

(ii) the Company and Heng He having obtained all applicable approvals and consents from relevant government authorities, regulators and other relevant third parties in respect of the Capital Injection; and

(iii) the articles and association of Heng He having been amended in accordance with the terms of the Capital Injection Agreement.

As at the Latest Practicable Date, none of the above conditions precedent has been satisfied.

The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquires, each of Shanghai Xunli and its beneficial owner are independent of and not connected with the Company and its connected persons.

The Directors, after taking into account of the above terms and conditions, in particular, the Capital Injection will be contributed by Ideal Magic and Shanghai Xunli in accordance with the proportion of share interest owned, consider that the Capital Injection Agreement is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Information on Heng He

Background

Heng He 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 Heng He (also known as the lessees) are mainly manufacturing companies and governmental authorities.

Heng He is a sino-foreign joint venture company with limited liability, which is established by Ideal Magic and Shanghai Xunli in the PRC on 14 December 2012. The original total registered capital of RMB100 million of Heng He was fully paid up on or before 15 May 2013, among which RMB40 million was paid up by Ideal Magic and RMB60 million was paid up by Shanghai Xunli, representing 40% and 60% equity interest in Heng He respectively.

Following the completion of the acquisition of Blossom Height Ventures Limited on 21 April 2015, Heng He became an associate of the Company. On 31 August 2015, Ideal Magic made a capital injection of approximately RMB38 million, increasing the paid up capital of Heng He to approximately RMB138 million and Heng He became an indirect non-wholly owned subsidiary of the Group. As at the Latest Practicable Date, the Company, through Ideal Magic, holds approximately 56.97% interests in Heng He.

Financial information of Heng He

Set out below is the audited financial information of Heng He for the three years ended 31 December 2015:

	Year ended 31 December		
	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
	(Note)		
Turnover	52,572	13,155	–
Profit/(loss) before taxation for the year	15,822	7,337	(1,658)
Profit/(loss) for the year	12,172	5,420	(1,243)

	As at 31 December		
	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Net assets	182,289	130,343	126,865

Note: Heng He became a non-wholly owned subsidiary of the Group on 31 August 2015 and the financial results of Heng He was consolidated with the Group commencing from 1 September 2015. As such, the profit and loss result of Heng He was consolidated into the Group's financial information only after 31 August 2015.

Financial leasing contracts

During the year ended 31 December 2015, Heng He had entered into nine financial leasing contracts in the aggregate amount of RMB941.2 million. Details of the financial leasing contracts are as follow:

	Principal Amount *(RMB'000)*	Date of commencement	Tenor	Interest rate per annum
Customer A *(Note 1)*	64,500	1 January 2015	1 year	8.00%
Customer B *(Note 2)*	67,670	7 January 2015	1 year	7.02%
Customer C *(Note 3)*	460	31 March 2015	5 years	11.00%
Customer D *(Note 4)*	220,000	1 June 2015	1 year	5.86%
Customer E *(Note 5)*	50,000	15 June 2015	3 years	8.00% *(Note 6)*
Customer F *(Note 7)*	200,000	14 August 2015	3 years	6.67%
	200,000	31 August 2015	3 years	6.38%
Customer G *(Note 8)*	44,000	31 August 2015	3 years	11.00%
Customer H *(Note 9)*	94,500	31 August 2015	1 year	5.40%

Notes:

1. A company located in Nantong which is principally engaged in the production, distribution and marketing of gas in the PRC. Customer A had repaid the financial leasing contract on 9 December 2015.

2. A company located in Guangxi province which is principally engaged in manufacturing of aluminium products in the PRC. Customer B had repaid the financial leasing contract on 22 December 2015.

3. A company located in Shanghai which is principally engaged in the provision of auditing, taxation and business advisory services in the PRC.

4. A company located in Liaoning province which is principally engaged in the production of metallic construction materials in the PRC.

5. A company based in Wuhan which is principally engaged in the trading of coal, production and distribution of green energy in the PRC.

6. The interest rate is adjustable subject to mutual consent of Heng He and Customer E.

7. A company based in the PRC which is principally engaged in the construction of port and transportation infrastructure in Asia, Africa and Europe.

8. A company based in Shanghai which is principally engaged in property development business in the PRC.

9. A company based in Nantong which is principally engaged in the provision of construction service in the PRC.

The nine financial leasing contracts did not constitute a transaction under chapter 19 of the GEM Listing Rules as Heng He was only an associate of the Group at the time which the contracts were entered into. No new financial leasing contracts had been entered into since Heng He became a non-wholly owned subsidiary of the Group on 31 August 2015 and since Heng He was consolidated into the accounts of the Company from 1 September 2015. Should Heng He enter into any new financial leasing contracts in the future, the Company will comply with the requirements as set out in chapter 19 of the GEM Listing Rules.

The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquires, each of the above customers are independent of and not connected with the Company and its connected persons.

Future prospect

Heng He has been generating profits since 2014 and had entered into nine financial leasing contracts during the year ended 31 December 2015. Heng He is currently negotiating with certain potential leasee in respect of the provision of financial leasing services. However, no legally binding contracts had been entered into as at the Latest Practicable Date. Should Heng He enter into any new financial leasing contracts, the Company will make relevant announcement to update its Shareholders in accordance with the GEM Listing Rules, as and when appropriate.

The Capital Injection will provide Heng He with additional working capital to further expand its financial lease portfolio. The Directors consider that the Capital Injection will allow Heng He to further develop its financial services business in the PRC, through capital leveraging and increase its access to funding, thus can enhance its financial lease portfolio. The Directors consider that the Capital Injection will enhance the performance of the Group and the return of the Shareholders as a whole.

For further information on Heng He, in particular, its business model, management team and capital structure, please refer to the Company's circular dated 17 March 2015.

Management discussion and analysis of Heng He

Set out below is a discussion and analysis of the results of operation of Heng He for the three years ended 31 December 2015. For further financial information of Heng He, please refer to Appendix II of this circular.

For the year ended 31 December 2013

(a) Financial review

Heng He commenced its financial leasing business upon the full capital injection of RMB100 million by Ideal Magic and Shanghai Xunli in May 2013. According to 《浦東新區促進金融業發展財政扶持辦法》 (Pudong New District Measure on Advancement of Financial Industry Development Fiscal Facilitation*), enterprise that has a paid-up capital of RMB100 million would be granted a one-off government subsidy of RMB5.0 million by stages. The government subsidy of approximately RMB2.0 million (equivalent to approximately HK$2.5 million) was recorded as other income for the year ended 31 December 2013. After the administrative expenses including operating costs and consulting fee in total of approximately HK$4.2 million, Heng He recorded a net loss of approximately HK$1.2 million for the year ended 31 December 2013.

(b) Liquidity and financial resources

Heng He generally finances its operations from the capital injection from Ideal Magic and Shanghai Xunli. Heng He had cash and cash equivalents and net assets of approximately HK$1.4 million and HK$126.9 million respectively as at 31 December 2013. Out of the net current assets of approximately HK$46.3 million as at 31 December 2013, there were other receivables of approximately HK$18.5 million, mainly representing loan to an independent third party that is unsecured, interest-free and receivable on demand which was fully received in 2014.

The gearing ratio of Heng He, calculated as net debt divided by equity attributable to owners of Heng He plus net debt, in which net debt is defined to include all bank borrowings and financial liabilities less cash and cash equivalents, was 0.02 as at 31 December 2013 respectively. The current ratio, determined as a ratio of current assets over current liabilities, was 11.8 as at 31 December 2013.

(c) Capital structure

Save for the capital injection of RMB100 million by Ideal Magic and Shanghai Xunli in May 2013 as mentioned above, there has been no material change in the capital structure of Heng He during the year ended 31 December 2013.

(d) Exposure to fluctuations in foreign exchange rates and related hedges

For the year ended 31 December 2013, the business activities of Heng He were not exposed to material fluctuations in foreign exchange rate.

(e) Charge on assets

As at 31 December 2013, none of the Heng He's assets were pledged.

(f) Capital commitment

As at 31 December 2013, Heng He did not have any capital commitment.

(g) Contingent liabilities

As at 31 December 2013, Heng He did not have any contingent liabilities.

(h) Significant investment, material acquisitions and disposals

No significant investment, material acquisition or disposal was entered into during the year ended 31 December 2013.

(i) Future plans for significant investments or capital assets

Heng He has no future plans for material investment or capital asset in the coming year.

(j) Employee benefits and expenses

Heng He had no employee as at 31 December 2013.

For the year ended 31 December 2014

(a) Financial review

Heng He's first financial lease arrangement came into effect in January 2014. During the year ended 31 December 2014, the financial leasing business contributed revenue of approximately HK$13.2 million, including interest income from finance lease of approximately HK$12.3 million and handling charges of approximately HK$0.9 million. Government grants of RMB1.5 million (equivalent to approximately HK$1.9 million) was recorded as other income. The administrative expenses increased to approximately HK$5.5 million, which was attributable to the increase in operating costs and staff costs. As such, Heng He recorded a profit of approximately HK$5.4 million compared to the loss making position in previous year.

(b) Liquidity and financial resources

During the year ended 31 December 2014, Heng He have borrowed bank loan of approximately HK$305.1 million for financing its business development and the bank borrowing of HK$305.1 million remained outstanding as at 31 December 2014 which was repayable within one year or on demand. Heng He had cash and cash equivalents and net assets of approximately HK$8.7 million and HK$130.3 million respectively as at 31 December 2014. The net current asset increased to approximately HK$81.4 million as at 31 December 2014.

The gearing ratio of Heng He, calculated as net debt divided by equity attributable to owners of Heng He plus net debt, in which net debt is defined to include all bank borrowings and financial liabilities less cash and cash equivalents, was 0.70 as at 31 December 2014. The current ratio, determined as a ratio of current assets over current liabilities, was 1.3 as at 31 December 2014.

(c) Capital structure

There has been no material change in the capital structure of Heng He during the year ended 31 December 2014.

(d) Exposure to fluctuations in foreign exchange rates and related hedges

For the year ended 31 December 2014, the business activities of Heng He were not exposed to material fluctuations in foreign exchange rate.

(e) Charge on assets

As at 31 December 2014, finance lease assets held by the leasee with the carrying value of approximately HK$347.0 million was pledged against Heng He's bank borrowings of approximately HK$305.1 million.

(f) Capital commitment

As at 31 December 2014, Heng He did not have any capital commitment.

(g) Contingent liabilities

As at 31 December 2014, Heng He did not have any contingent liabilities.

(h) Significant investment, material acquisitions and disposals

No significant investment, material acquisition or disposal was entered into during the year ended 31 December 2014.

(i) Future plans for significant investments or capital assets

Heng He has no future plans for material investment or capital asset in the coming year.

(j) Employee benefits and expenses

Heng He had a total of 9 employees as at 31 December 2014, which consists of (i) an assistant general manager, who obtained a master degree in East China Normal University and has more than 9 years of experience in strategic planning and business development in one of the major commercial bank in the PRC. She is responsible for managing the daily operation of the financial leasing business; (ii) a financial controller, who graduated from Shanghai Institute of Light Industry and has over 22 years of solid experience in financial reporting and management. He is responsible for all financial reporting matters as well as the annual budgeting, forecasting and analysis of the business; (iii) a human resources manager, who obtained a bachelor degree in Shanghai Institute of Business and Technology and has 6 years of experience in human resources management. She is responsible for recruiting, manpower planning and developing the project teams to meet the credit assessment needs in business; (iv) a total of four project managers, who have experiences in credit control and risk management. They function as the risk assessment team of Heng He and are responsible for the implementation of risk evaluation on individual financial leasing application, preparing report and recommendation to the risk management committee; and (v) a total of two financial analysts, who have working experiences in capital investment and analysis. They are responsible for closely monitoring the funding sources as well as the analyses of financial leasing portfolio of Heng He. The remuneration policies of Heng He are in line with the prevailing market standards and are determined on the basis of performance and experience of individual employee.

For the year ended 31 December 2015

(a) Financial review

During the year ended 31 December 2015, Heng He had entered into nine financial leasing contracts and revenue has increased by four times to approximately HK$52.6 million as compared to the revenue recorded for year ended 31 December 2014. Cost of providing financial leasing services amounted to approximately HK$36.4 million, which had increased by approximately HK$34.1 million as compare to the corresponding year. Heng He recorded a profit of HK$12.2 million for the year ended 31 December 2015, representing an increase of approximately 124.6% comparing to the year ended 31 December 2014.

(b) Liquidity and financial resources

During the year ended 31 December 2015, Heng He borrowed and repaid bank loan of approximately HK$888.1 million and HK$301.1 million respectively. Bank borrowings of approximately HK$851.6 million remained outstanding as at 31 December 2015, of which approximately HK$374.0 million was repayable within one year or on demand. Heng He had cash and cash equivalent of approximately HK$29.0 million as at 31 December 2015. Heng He had net assets of approximately HK$182.3 million as at 31 December 2015.

The gearing ratio of Heng He, calculated as net debt divided by equity attributable to owners of Heng He plus net debt, in which net debt is defined to include all bank borrowings and financial liabilities less cash and cash equivalents, was 0.82 as at 31 December 2015. The current ratio, determined as a ratio of current assets over current liabilities, was 1.3 as at 31 December 2015.

(c) Capital structure

On 31 August 2015, Ideal Magic made a capital injection of approximately RMB38 million. Save for the above, there has been no material change in the capital structure of Heng He during the year ended 31 December 2015.

(d) Exposure to fluctuations in foreign exchange rates and related hedges

For the year ended 31 December 2015, the business activities of Heng He were not exposed to material fluctuations in foreign exchange rate.

(e) Charge on assets

As at 31 December 2015, finance lease assets held by the leasee with the carrying value of approximately HK$957.8 million was pledged against Heng He's bank borrowings of approximately HK$851.6 million.

(f) Capital commitment

As at 31 December 2015, Heng He did not have any capital commitment.

(g) Contingent liabilities

As at 31 December 2015, Heng He did not have any contingent liabilities.

(h) Significant investment, material acquisitions and disposals

No significant investment, material acquisition or disposal was entered into during the year ended 31 December 2015.

(i) Future plans for significant investments or capital assets

Heng He has no future plans for material investment or capital asset in the coming year.

(j) Employee benefits and expenses

Heng He had a total of 9 employees as at 31 December 2015, all of which were also employees as at 31 December 2014. For details of the employees, please refer to the above.

Financial impact of the Capital Injection on the Group

Following completion of the Capital Injection, the registered capital of Heng He will be increased from RMB130 million to RMB300 million, which shall be owned as to 64.71% by Ideal Magic and as to 35.29% by Shanghai Xunli. Heng He will continue to be a subsidiary of the Company and the financial results of Heng He will continue to be consolidated by the Group. The Capital Injection will not result in any significant impact to the profit or loss of the Group.

Funding of the Capital Injection

It is expected that the Capital Injection will be funded through equity financing, including but not limited to placing of new Shares under general or specific mandate, and internal resources of the Group within three years from the date which the business license of Heng He have been updated to reflect the change in registered capital. The above mentioned equity financing method will (i) provide greater flexibility for the Company to raise funds; (ii) be less costly and time-consuming than raising funds by way of rights issue or open offer; and (iii) provide the Company with the capability to capture any capital raising opportunity as and when it arises.

The Board had considered debt financing, such as bank borrowings as an alternative means of fund for the capital injection, however, given that the Group had been loss making in the past years, few financial institutions are willing to provide such funding or at a relatively high interest rate to the Group. Therefore, the Board consider that it is in the best interest of the Company to raise the required funding through the above mentioned equity financing method.

The capital injection of RMB84.1 million shall be settled within three years from the date which the business license of Heng He have been updated to reflect the change in registered capital. As at the Latest Practicable Date, the business license of Heng He have not been updated and there is no set timetable for the capital injection within the time period of three years.

As at the Latest Practicable Date, the Company had entered into (i) a placing agreement with Convoy Investment Services Limited on 14 March 2016 to place up to 245,000,000 placing shares at a price of HK$0.119 per placing share; and (ii) a supplemental agreement with Convoy Investment Services Limited on 31 March 2016 to amend the terms of the placing agreement, whereby the number of placing shares was reduced to a maximum of 125,000,000 new shares at a price of HK$0.119 per placing share and the long stop date revised from 31 March 2016 to 8 April 2016. The net proceeds will be approximately HK$14.00 million, of which, not less than HK$11.20 million will be applied for the capital injection into Heng He as its general working capital to facilitate the expansion of the financial leasing business. Other than the above placing agreement and the supplemental agreement, the Company is not currently negotiating or contemplating on other fund raising activities.

Reasons for the Capital Injection

The Company acts as an investment holding company. 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.

The Company commenced its money lending activities apart from its principal business in the second quarter of 2014. To accommodate and to facilitate this business development, the Group was granted and was renewed, a money lenders license in Hong Kong to carry on business as a money lender for a period of twelve months from 2

December 2015. The Group is able to develop the money lending business as one of its principal lines of business by providing loans in a systematic and repetitive nature in its ordinary course of business, subject to compliance with the requirements in the Money Lenders Ordinance. Meanwhile, the Group has been approached by potential borrowers for provision of loans from time to time.

During the year ended 31 December 2015, Heng He had entered into nine financial leasing contracts in the aggregate amount of RMB941.2 million. Additional capital is required by Heng He, in order to cope with the significant growth in its business operation and the increasing demand for financial leasing in the PRC. The Directors considered that it would be in the interests of the Company and its shareholders as a whole for Ideal Magic and Shanghai Xunli to inject further capital in the aggregate of RMB130 million into Heng He to expand its financial leasing business and to meet its general working capital requirements.

The Directors consider that the Capital Injection will strengthen Heng He capital base which in turn will meet its capital needs and facilitate the growth of the money lending business of the Group. Taking into account of the benefits of the Capital Injection described above, the Directors (including the independent non-executive Directors) believe that the Capital Injection is in the interest of the Company and the terms of the Capital Injection Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

GEM LISTING RULES IMPLICATION

Shanghai Xunli is a substantial shareholder of Heng He, an indirect non-wholly owned subsidiary of the Company. As such, Shanghai Xunli is regarded as a connected person of the Company at the subsidiary level and the Capital Injection constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. The Board has approved the Capital Injection Agreement and the independent non-executive Directors have confirmed that the terms of the Capital Injection Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Capital Injection Agreement is exempt from this circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 20.99 of the GEM Listing Rules. No Director has a material interest in the Capital Injection Agreement and none of them is required to abstain from voting on the Board resolution for approving the Capital Injection Agreement.

As certain of the applicable percentage ratios calculated under Chapter 19 of the GEM Listing Rules in respect of the Capital Injection are above 25% but less than 100%, the Capital Injection constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and Shareholder's approval requirements under Chapter 19 of the Listing Rules.

The EGM will be convened at which an ordinary resolution will be proposed to seek the Shareholders' approval of the Capital Injection Agreement and the transactions contemplated thereunder, including the Capital Injection. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders will be required to abstain from voting to approve the resolution in relation to the Capital Injection Agreement.

THE EGM

A notice convening an extraordinary general meeting to be held at Jasmine Room, 3/F., Best Western Plus Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong at 11:00 a.m. on Tuesday, 26 April 2016 is set out on pages EGM-1 to EGM-2 of this circular for the purpose of considering and, if thought fit, passing the resolutions set out therein. Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the appointed time for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and any adjournment thereof (as the case may be) should you so wish and in such even, the instrument appointing a proxy shall be deemed to be revoked.

RECOMMENDATION

Having considered the reasons set out herein, the Directors are of the opinion that the terms of the Capital Injection Agreement are on normal commercial terms, fair and reasonable and that the Capital Injection is in the interests of the Company and the Shareholders as a whole. The Directors recommend the Shareholders to vote in favour of the relevant resolution(s) as set out in the notice of EGM to approve the Capital Injection Agreement.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

1. PRINCIPAL BUSINESS OF THE GROUP

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.

2. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2013, 2014 and 2015 is disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.merdeka.com.hk).

The audited consolidated financial statements of the Group for the year ended 31 December 2015 has been set out in page 57 to 149 of the annual report 2015 of the Company which was posted on 18 March 2016 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the annual report 2015.

http://www.hkexnews.hk/listedco/listconews/GEM/2016/0318/GLN20160318007.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2014 has been set out in page 45 to 121 of the annual report 2014 of the Company which was posted on 31 March 2015 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the annual report 2014.

http://www.hkexnews.hk/listedco/listconews/GEM/2015/0331/GLN20150331069.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2013 has been set out in page 35 to 89 of the annual report 2013 of the Company which was posted on 24 March 2014 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the annual report 2013.

http://www.hkexnews.hk/listedco/listconews/GEM/2014/0324/GLN20140324051.pdf

3. INDEBTEDNESS STATEMENT

At the close of business on 29 February 2016, being latest practicable date prior to this circular for ascertaining certain information relating to the indebtedness statement, the indebtedness of the Group was as follows:

(a) Obligation under finance lease

The Group had outstanding obligation under finance leases of approximately HK$3,300,000, which was secured by the charges over the leased assets with a carrying amount of approximately HK$5,057,000.

(b) Convertible bonds

The Group had an outstanding principal of convertible bonds of approximately HK$164,068,000, which are non-interest bearing and consists of the 2008 convertible bonds and 2015 convertible bonds. The outstanding principal of the 2008 convertible bonds is HK$124,068,000 which is repayable by 12 August 2017. The outstanding principal of the 2015 convertible bonds is HK$40,000,000 which is repayable by 21 April 2018.

(c) Promissory note

The Group had an outstanding principal of promissory note of approximately HK$55,600,000, which consists of two promissory note. The promissory note with an outstanding principal of approximately HK$23,600,000 is charged at interest rate of 2% per annum and the settlement date is 4 April 2017. The promissory note with an outstanding principal of approximately HK$32,000,000 is non-interest bearing and the settlement date is 21 April 2018.

(d) Interest-bearing bank borrowings

The Group had an outstanding principal of bank borrowings of approximately HK$1,032,461,000, of which HK$206,000 was secured by a personal guarantee given by a former director of a subsidiary of the Company and repayable on demand. The remaining bank borrowings of approximately HK$1,032,255,000 were secured by the finance lease assets held by the lease with the carrying value of approximately RMB802,100,000 (equivalent to approximately HK$957,800,000 as at 31 December 2015, and the bank borrowings of approximately HK$545,095,000 and HK$487,160,000 is repayable within one year and within three years respectively. The interest rate of these bank borrowings were ranged from 3.9% to 6.3% per annum.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of the borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding as at 29 February 2016.

Save as aforementioned in this indebtedness statement, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 29 February 2016, up to and including the Latest Practicable Date.

4. WORKING CAPITAL

The Directors are of the opinion that the Group has sufficient working capital for its present requirements for at least 12 months from the date of this circular after taking into account the financial resources available to the Group, including its internally generated funds and available banking facilities of the Group. In addition, given that the Capital Injection is expected to be funded through equity financing, including but not limited to placing of new Shares under general or specific mandate, and internal resources of the Group within three years from the date which the business license of Heng He have been updated, the Board is of the view that after taking into consideration of the Group's business plan and all necessary estimated expenses for its operation, the Company has sufficient funds for its general working capital in the next 12 months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date of which the latest published audited consolidated financial statements of the Group were made up.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE GROUP

The Board considers the production and operation of the forestry project of the Group in Indonesia will remain suspended due to the unstable investment environment in Indonesia in the foreseeable future. The trading business continues to provide a stable source of revenue to the Group as the business continues to grow healthily, and the Group is expanding its trading business into more variety of consumer products and into more geographical markets within the PRC. For the information technology business, revenue would be mainly driven by the additional contribution from the consolidation of different acquired entities into a single stream of income. Regarding the money lending business, it is expected that the revenue will grow steadily and healthily as the Group continuously receives enquires from various customers.

For the year ended 31 December 2015

As disclosed in the 2015 annual report, the revenue for the Group for the year ended 31 December 2015 was approximately HK$131,398,000, representing an increase of approximately 88.0% from approximately HK$69,877,000 for the corresponding period. Revenue of the trading business increased by approximately 75.1% to approximately HK$93,141,000 compared to last year. The increase was contributed by the Group's effort in strengthening the direct sale channel with the bulk purchasers and the local pharmacies and enhancing the product mix diversification by trading of more pharmaceutical and imported food products. Revenue of the information technology business decreased by approximately 66.0% to approximately HK$5,535,000 for the year ended 31 December 2015, which was due to the keen competition and the change in project cycles of the customers. The new financing leasing business contributed revenue of approximately HK$32,214,000 during the year ended 31 December 2015. Loss of the Group had been reduced to approximately HK$123,392,000 for the year ended 2015 from a loss of approximately HK$180,739,000 for the year ended 2014. The decrease was due to the continuously improving revenue and gross profit as compared to the year 2014 and the decrease in impairment of forest concessions.

For the year ended 31 December 2014

As disclosed in the Group's 2014 annual report, revenue of the Group for the year ended 31 December 2014 was generated from the trading of dairy products and beauty products, information technology business and money lending business, which was introduced in the second quarter of 2014. Whereas the revenue of the Group for the year ended 31 December 2013 was generated from trading of agricultural related products and dairy products, and the new information technology business was acquired in the second half of 2013. The revenue increased by approximately HK$29,115,000 to approximately HK$69,877,000 on a year-on-year basis. Revenue of trading business amounted approximately to HK$53,200,000 which represented an increase of revenue of approximately HK$15,162,000 compared to the year ended 31 December 2013. The increase was driven by a good shift of sources of revenue from the trading of agricultural-related products to beauty products, where the sales volume increased in the second half of the year. Revenue from the information technology business increased by approximately HK$13,557,000 to approximately HK$16,281,000 on a year-on-year basis. The increase in revenue was mainly driven by additional contribution from the newly acquired business of the Ever Hero Group, and the contribution of revenue in the first half of 2014 by Quasicom Systems Limited since acquisition in the second half of 2013. The new money lending business also contributed revenue of approximately HK$396,000 since its commencement in the second quarter of 2014.

For the year ended 31 December 2013

As disclosed in the Group's 2013 annual report, revenue of the Group for the year ended 31 December 2013 was generated from the trading business and information technology business. The Group's revenue for the year ended 31 December 2013 increased by 415.4% to approximately HK$40,762,000 from approximately HK$7,909,000 for the year ended 31 December 2012, which was solely generated from the trading business. Revenue of trading business increased significantly by 381.0% to approximately HK$38,038,000 for the year ended 31 December 2013, as the Group strived to grow the trading business which provided a stable source of revenue. The Group commenced its information technology business after the successful acquisition of Quasicom Systems Limited in the second half of 2013, which contributed a revenue of approximately HK$2,724,000 to the Group for the year ended 31 December 2013.

7. FOREIGN EXCHANGE

The Group's reporting currency is Hong Kong dollar. During the three years ended 31 December 2015, most of the Group's transactions were denominated in HK$, RMB, Indonesian Rupiah ("**Rp**") and United States Dollars, to which HK$ is pegged. The Group had exposure to the risk of exchange rate fluctuations for RMB on account of its cost of information technology business and financial lease business in China, and Rp on account of its cost of forestry and plantation operations in Indonesia. The Group did not formally employ any hedging instruments or derivative products considering the relevant costs and benefits. However, the Group will continue to monitor closely the exchange rate risk.

The following is the text of a report received from the reporting accountant, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

10th Floor,
8 Observatory Road,
Tsim Sha Tsui,
Kowloon, Hong Kong

7 April 2016

The Board of Director
Merdeka Financial Service Group Limited
Room 1502, Floor 15th,
Chinachem Century Tower,
178 Gloucester Road,
Wan Chai,
Hong Kong

Dear Sir,

We report on the financial information of 恒河融資租賃(上海)有限公司 (Heng He Financial Lease (Shanghai) Company Limited*) (the "**PRC Company**"), which comprises the statement of financial position of the PRC Company as at 31 December 2013, 2014 and 2015 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows of the PRC Company for the years ended 31 December 2013, 2014 and 2015 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (the "**Financial Information**"). This Financial Information has been prepared by the directors of the PRC Company for inclusion in Appendix II to the circular of the Company dated 7 April 2016 (the "**Circular**") in connection with the proposed capital injection into the PRC Company in accordance with the 2013 Capital Injection Agreement.

The PRC Company was established in the People's Republic of China (the "**PRC**") with limited liability on 14 December 2012. The principal activity of the PRC Company is engaged in the provision of financial leasing services in the PRC.

The PRC Company has adopted 31 December as its financial year end date. The statutory financial statements of the PRC Company for the three years ended 31 December 2015 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by the following certified public accountants registered in the PRC.

Financial Year	**Auditors**
For the year ended 31 December 2013	上海華皓會計師事務所 (Shanghai Well C.P.A. Partnership)
For the year ended 31 December 2014	上海宏華會計師事務所有限公司 (Shanghai Honghua Certified Public Accountant Co., Ltd*)
For the year ended 31 December 2015	上海宏華會計師事務所有限公司 (Shanghai Honghua Certified Public Accountant Co., Ltd*)

* *For identification purpose only*

For the purpose of this report, the directors of the PRC Company have prepared the financial statements of the PRC Company for the Relevant Periods, together with the notes thereto (the "**Underlying Financial Statements**") in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The Financial Information for the Relevant Periods are prepared based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market on The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

Respective Responsibilities of Directors and Reporting Accountants

The directors of the PRC Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules, and for such internal control as the directors of the PRC Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error. The directors of the PRC Company are also responsible for the contents of the Circular in which this report is included.

It is our responsibility to form an independent opinion on the Financial Information for the Relevant Periods based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing and the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Opinion

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the PRC Company as at 31 December 2013, 2014 and 2015 and of the results and cash flows for the Relevant Periods then ended in accordance with Hong Kong Financial Reporting Standards.

A. FINANCIAL INFORMATION

Statement of profit or loss and other comprehensive income

		Year ended 31 December		
		2015	**2014**	**2013**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*6(a)*	52,572	13,155	–
Cost of sales		(36,369)	(2,251)	–
Gross profit		16,203	10,904	–
Other income	*6(b)*	4,029	1,904	2,525
Administrative expenses		(4,410)	(5,471)	(4,183)
Profit/(loss) from operations	*7*	15,822	7,337	(1,658)
Finance costs		–	–	–
Profit/(loss) before tax for the year		15,822	7,337	(1,658)
Income tax (expense)/credit	*8*	(3,650)	(1,917)	415
Profit/(loss) for the year		12,172	5,420	(1,243)
Other comprehensive (loss)/income:				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of PRC operation		(8,226)	(1,942)	3,496
Total comprehensive income for the year		3,946	3,478	2,253

Statement of financial position

	Notes	2015 HK$'000	2014 HK$'000	2013 HK$'000
		As at 31 December		
Non-current assets				
Property, plant and equipment	10	996	1,265	–
Available-for-sale investment	11	7,761	8,200	8,327
Financial lease receivables	12	530,521	37,349	71,958
Deferred tax assets	13	–	80	235
Total non-current assets		539,278	46,894	80,520
Current assets				
Financial lease receivables	12	488,077	383,991	30,530
Deferred tax assets	13	75	151	219
Other receivables	14	676	5,839	18,512
Cash and cash equivalents	15	28,987	8,715	1,371
Total current assets		517,815	398,696	50,632
Total assets		1,057,093	445,590	131,152
Equity and liabilities				
Paid-up capital	16	172,596	124,596	124,596
Reserves	17	9,693	5,747	2,269
Total equity		182,289	130,343	126,865
Non-current liabilities				
Bank borrowings due more than one year	18	477,600	–	–
Current liabilities				
Other payables, accruals and receipt in advance	19	19,686	8,478	4,254
Bank borrowings due within one year	18	374,018	305,068	–
Tax payable		3,500	1,701	33
Total current liabilities		397,204	315,247	4,287
Total liabilities		874,804	315,247	4,287
Total equity and liabilities		1,057,093	445,590	131,152
Net current assets		120,611	83,449	46,345
Net assets		182,289	130,343	126,865

Statement of changes in equity

	Paid-up capital	Contributed surplus reserve	Exchange fluctuation reserve	(Accumulated losses)/ retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2013	–	–	–	–	–
Paid-up capital	124,596	16	–	–	124,612
Loss for the year	–	–	–	(1,243)	(1,243)
Other comprehensive income	–	–	3,496	–	3,496
As at 31 December 2013 and 1 January 2014	124,596	16	3,496	(1,243)	126,865
Profit for the year	–	–	–	5,420	5,420
Other comprehensive loss	–	–	(1,942)	–	(1,942)
As at 31 December 2014 and 1 January 2015	124,596	16	1,554	4,177	130,343
Paid-up capital	48,000	–	–	–	48,000
Profit for the year	–	–	–	12,172	12,172
Other comprehensive loss	–	–	(8,226)	–	(8,226)
As at 31 December 2015	172,596	16	(6,672)	16,349	182,289

Statement of cash flows

	Year ended 31 December		
	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Profit/(loss) before tax	15,822	7,337	(1,658)
Adjustments for:			
Bank interest income	(36)	(12)	–
Interest expenses	29,181	–	–
Depreciation of property, plant and equipment	424	–	–
	45,391	7,325	(1,658)
Increase in financial lease receivables	(646,380)	(320,496)	(100,992)
Decrease/(increase) in other receivables	5,058	12,393	(18,242)
(Decrease)/increase in other payables, accruals and receipt in advance	(4,712)	4,629	4,192
Cash used in operations	(600,643)	(296,149)	(116,700)
Income taxes paid	(1,679)	(373)	–
Net cash used in operating activities	(602,322)	(296,522)	(116,700)
Cash flows from investing activities			
Increase in available-for-sale investment	–	–	(8,206)
Bank interest received	36	12	–
Purchases of property, plant and equipment	(215)	(1,265)	–
Net cash used in investing activities	(179)	(1,253)	(8,206)

	Year ended 31 December		
	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from financing activities			
Injection of paid-up capital	48,000	–	124,612
Interest paid on bank borrowings	(12,157)	–	–
New bank borrowings raised	888,136	305,141	–
Repayment of bank borrowings	(301,127)	–	–
Net cash from financing activities	622,852	305,141	124,612
Net increase/(decrease) in cash and cash equivalents	20,351	7,366	(294)
Cash and cash equivalents at beginning of the year	8,715	1,371	–
Effect of foreign exchange rate changes, net	(79)	(22)	1,665
Cash and cash equivalents at end of the year	28,987	8,715	1,371

B. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The PRC Company is a limited liability Company established in the PRC on 14 December 2012. The registered office of the PRC Company is located at 上海市靜安區新閘路1418號5樓 (5/F, Xinzha Road 1418, Jingan District, Shanghai*).

The principal activity of the PRC Company is provision of financial leasing services.

The directors consider that the PRC Company's immediate holding company is Ideal Magic International Limited, a company incorporated in Hong Kong with limited liability. The ultimate holding company is Merdeka Financial Service Group Limited, a company incorporated in Cayman Islands with limited liability and listed in the Growth Enterprise Market (the "**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

2. APPLICATION OF NEW AND REVISED HKFRSs

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the PRC Company has adopted all new and revised HKFRSs, which are relevant to its operations and effective during the Relevant Periods.

Standard and Interpretation issued but not yet adopted

The PRC Company has not early applied the following new standards and amendments to standards that have been issued but are not yet effective during the Relevant Periods.

Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements[1]
Amendments to HKAS 28 (2011) and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[1]
Various HKFRSs	Annual Improvements Project – 2012-2014 Cycle[2]
HKFRS 15	Revenue from Contracts with Customers[3]
HKFRS 9 (2014)	Financial Instruments[3]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2016, with limited exceptions
3 Effective for annual periods beginning on or after 1 January 2018

The directors of the PRC Company do not anticipate that the adoption of these new HKFRSs in future periods will have any material impact on the results of the PRC Company.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. The Financial Information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

* *For identification purpose only*

The Financial Information have been prepared under the historical cost basis. The measurement basis is fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 4 to the Financial Information.

(b) Basis of measurement

The functional currency of the PRC Company is Reminbi ("**RMB**"), which is the currency of primary economic environment in which the PRC Company operates. The financial statements are presented in Hong Kong Dollars ("**HK$**") which is different to the functional currency of the PRC Company as the ultimate holding company is a company listed in the GEM of the Stock Exchange.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of property, plant and equipment, using the straight line method, over their estimated useful lives. The principal annual rates are as follows:

Leasehold improvement	Over the lease team
Office equipment	20% per annum
Motor vehicle	25% per annum

The gain or loss arising from disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the profit or loss.

(d) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash at bank and in hand, demand deposits with banks with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(e) Financial instruments

Financial assets and financial liabilities are recognised when the PRC Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The PRC Company classifies its financial assets into loans and receivables and available-for-sales ("**AFS**") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including financial lease receivables; other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest income is recognised in profit or loss on an effective interest basis.

(iii) AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the PRC Company that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of the reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the PRC Company's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

(iv) Impairment of financial assets

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. At the end of each reporting period, financial assets are reviewed to determine whether there is any objective evidence of impairment.

For certain categories of financial assets, such as assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the PRC Company's past experience of collecting payments.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale financial investments, the PRC Company assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

(v) Derecognition

The PRC Company derecognised a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the PRC Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the PRC Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the PRC Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the PRC Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The PRC Company classifies its financial liabilities into other financial liabilities.

(i) Other financial liabilities

Other financial liabilities, including other payables, accruals and receipt in advance and secured bank loan, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings are classified as current liabilities unless the PRC Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(ii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(iii) Derecognition

The PRC Company derecognises financial liabilities when, and only when, the PRC Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(f) Provisions

A provision is recognised when the PRC Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the end of the Relevant Periods of the expenditures expected to be required to settle the obligation.

(g) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable. The PRC Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the PRC Company's activities as described below.

(a) Finance lease interest income

The interest income under finance lease is recognised in the profit or loss using the effective interest rate implicit in the lease over the term of the lease.

(b) Handling charge income

Handling charge income is recognised in the accounting period in which the service is rendered.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the PRC Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(h) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at the end of each reporting year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(i) Leases

Finance lease as lessor

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the PRC Company recognises the minimum lease payments receivable by the PRC Company as a financial lease receivable and records the unguaranteed residual value as an asset at the same time. The difference between (a) the aggregate of the minimum lease payments and the unguaranteed residual value and (b) their present value (presented in the balance sheets as financial lease receivables, net) is recognised as unearned finance income. Minimum lease payments are the payments over the lease term that the lessee is or can be required to make plus any residual value guaranteed to the lessor by the lessee, or a party unrelated to the lessor.

Unearned finance income is allocated to each period during the lease term using the effective interest method that allocates each rental between finance income and repayment of capital in each accounting period in such a way that finance income is recognised as a constant periodic rate of return (implicit effective interest rate) on the lessor's net investment in the lease. Lease agreements for which the base rent is based on fixed interest rates are included in minimum lease payments based on the fixed interest rate existing at the commencement of the lease.

Initial direct costs, such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, are included in the initial measurement of the financial lease receivable and reduce the amount of income recognised over the lease term.

Operating leases charges as lessee

Where the PRC Company has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

(j) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the PRC Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the PRC Company. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(k) Impairment of assets

At the end of the reporting period, the PRC Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the PRC Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest PRC Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(l) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(n) Foreign currencies

Functional and presentation currency

Items included in the financial statements of the PRC Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the PRC Company is Renminbi ("**RMB**"). The Financial Information are presented in HK dollars (HK$) as presentation currency in preparing the Financial Information of the PRC Company.

The results and financial position of the PRC Company are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented shall be translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement presenting profit or loss and other comprehensive income shall be translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions; and

(iii) all resulting exchange differences are recognised in other comprehensive income and accumulated in the equity under "Exchange reserve".

(o) Employment benefit

The PRC Company contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities or trustees. The PRC Company's liability in respect of these plans is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities or trustees and are separate from those of the PRC Company.

(p) Related party

For the purpose of these combined financial statements, a party is considered to be related to the PRC Company if:

(a) A person or a close member of that person's family is related to the PRC Company if that person:

  (i) has control or joint control over the PRC Company;

  (ii) has significant influence over the PRC Company; or

  (iii) is a member of the key management personnel of the PRC Company or of a parent of the PRC Company.

(b) An entity is related to the PRC Company if any of the following conditions applies:

  (i) the entity and the PRC Company are members of the same PRC Company (which means that each parent, subsidiary and fellow subsidiary is related to the others);

  (ii) either entity is an associate or joint venture of the other entity (or of a member of a PRC Company of which the other entity is a member);

  (iii) both entities are joint ventures of a third entity;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the PRC Company or an entity related to the PRC Company. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

  (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the PRC Company or to the parent of the PRC Company.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Income taxes and deferred taxation

Significant judgment is required in determining the provision for income tax. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that are initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Impairment of available-for-sale equity investments

The PRC Company follows the guidance of HKAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the PRC Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(c) Impairment loss for financial lease receivables

The PRC Company reviews the financial lease receivables portfolio on a regular basis, evaluates any indications of impairment, and assesses impairment loss in the case of impairment under specific circumstances. The directors of the PRC Company are of the views that there is no need to make any allowance for impairment loss for financial lease receivables based on their assessment.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The PRC Company's major financial instruments comprise financial lease receivables, other receivables, other payables, accruals and receipt in advance and secured bank loan. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies applied by the PRC Company to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Market risk

Interest rate risk

The PRC Company does not have material exposure to interest rate risk, as the PRC company has no financial assets and liabilities of material amounts with floating interest rate.

The PRC Company's bank borrowings are at fixed interest rate, therefore no interest rate risk.

Foreign currency risk

The main operations of the PRC Company were located in the PRC and most of the transactions were denominated in RMB. The PRC Company has no significant direct exposure to foreign currencies as most of the commercial transactions, assets and liabilities are denominated in a currency as the functional currency of the PRC Company.

(b) Credit risk

The PRC Company takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the PRC Company by failing to discharge an obligation. Significant changes in economy could result in losses that are different from those provided for at the end of Relevant Periods. Management therefore carefully manages its exposure to credit risks. Credit exposures of the PRC Company arise principally in financial leasing service.

The PRC Company implements its industry risk management system according to its plan based on actual situation with focus on industry research, counterparty credit rating, and understanding of the lessee's operations, financial condition as well as shareholders' support. All these strengthen the control and management of credit risk.

(a) Late payment risk

In the event of late payment, the PRC Company is entitled to charge interest at the default rate on any part of lease rental not paid when due until the same shall be paid. Such interest will accrue on a day to day basis.

(b) Risk limit control and mitigation policies

The PRC Company manages limits and controls concentrations of credit risk wherever they are identified, in particular, to assess the lessees' repayment ability periodically.

(c) Impairment allowance policies

The PRC Company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired.

The PRC Company's policy requires a review of the financial statements of the lessee or its parent company and a valuation of the residual value of the financial assets (effectively the collateral held) under the lease at least annually or more regularly when circumstances require.

Financial lease receivables and financial assets of the PRC Company are neither past due nor impaired. The PRC Company has not encountered any delay or default in the collection of lease receivable balances. No impairment allowance was made for financial lease receivables and financial assets of the PRC Company as at 31 December 2013, 2014 and 2015.

(c) Liquidity risk

In the management of the liquidity risk, the PRC Company monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the PRC Company's operations and mitigate the effects of fluctuations in cash flows. The PRC Company relies on internal generated cash flows from operations as a source of liquidity. The management monitors the liquidity position of the PRC Company on a yearly basis to ensure the availability of sufficient liquid funds to meet all obligations.

The following table details the PRC Company contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the PRC Company can be required to pay. The table includes both interest and principal cash flows.

	Within 1 year or on demand	More than 1 year but less than 5 years	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2015				
Other payables, accruals and receipt in advance	19,686	–	19,686	19,686
Bank borrowings	385,796	557,060	942,856	851,618

	Within 1 year or on demand	More than 1 year but less than 5 years	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2014				
Other payable, accruals and receipt in advance	8,478	–	8,478	8,478
Bank borrowings	322,343	–	322,343	305,068

	Within 1 year or on demand	More than 1 year but less than 5 years	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2013				
Other payables, accruals and receipt in advance	4,254	–	4,254	4,254

(d) Capital management

The primary objective of the PRC Company's capital management is to safeguard the PRC Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The PRC Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes for managing capital during Relevant Periods.

The PRC Company monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated as bank borrowings, financial liabilities included in other payables, accruals and receipt in advance less cash and cash equivalents. Capital represents equity attributable to owners of the PRC Company. The PRC Company's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of each of the Relevant Periods were as follows:

	As at 31 December		
	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Bank borrowings	851,618	305,068	–
Other payables, accruals and receipt in advance	19,686	8,478	4,254
Less: Cash and cash equivalents	(28,987)	(8,715)	(1,371)
Net debt	842,317	304,833	2,883
Equity attributable to owners to the PRC Company	182,289	130,343	126,865
Capital and net debt	1,024,606	435,176	129,748
Gearing ratio	82%	70%	2%

6. REVENUE AND OTHER INCOME

	Year ended 31 December		
	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
(a) Revenue			
Financial lease interest income	46,641	12,292	–
Handling charge income	5,931	863	–
	52,572	13,155	–
(b) Other income			
Bank interest income	36	12	–
Government grants *(note (i))*	1,868	1,892	2,525
VAT refund *(note (ii))*	2,125	–	–
	4,029	1,904	2,525

Note:

(i) Government grants represent the grants received from 上海市黃浦區金融服務辦公室 (Shanghai Huangpu District Financial Service Office*). The detail of which set out in Note 20.

(ii) VAT refund represent the one-off value added tax refund from the local tax district office to the PRC Company.

* *For identification purpose only*

7. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations were arrived at after charging:

	Year ended 31 December		
	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Auditor's remuneration	91	95	169
Depreciation	424	–	–
Employee benefit expenses (including directors' emoluments):			
– Wages and salaries	713	353	–
– Pension scheme contribution	266	83	–
Minimum lease payment under operating lease	693	1,024	–
Preliminary expenses	–	–	62
Exchange losses	–	–	641

8. INCOME TAX EXPENSE/(CREDIT)

The PRC enterprise income tax ("**EIT**") has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the PRC Company in the PRC. The statutory EIT tax rate in the PRC was 25% for the Relevant Periods.

	Year ended 31 December		
	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Current tax: PRC enterprise income tax	3,501	1,701	32
Deferred tax charge/(credit) to profit or loss *(note 13)*	149	216	(447)
	3,650	1,917	(415)

Provision for deferred tax assets has been made as the PRC Company had material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Financial Information.

A reconciliation of the tax expense applicable to profit/(loss) before tax for the year to the tax expense at the effective tax rates was shown as follows:

	Year ended 31 December		
	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Profit/(loss) before tax for the year	15,822	7,337	(1,658)
Tax at the applicable tax rate	3,956	1,834	(415)
Income not subject to taxation	(455)	(216)	–
Expenses not deductible for taxation purposes	149	299	–
Taxation for current year	3,650	1,917	(415)

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Details of individual directors' emoluments for the Relevant Periods were as follow:

For the year ended 31 December 2015

	Fee	**Salaries allowances and benefits in kind**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Mr. Gao Yun Feng	75	–	75
Mr. Charles Young	75	–	75
Mr. Su Zhong Hua	75	67	142
Mr. Gao Rong *(note)*	75	55	130
Mr. Cheung Wan Yin, Wilson *(note)*	–	–	–
Mr. Chan Ka Wing *(note)*	–	–	–
Mr. Lai Yau Hong, Thomson *(note)*	–	–	–
	300	122	422

For the year ended 31 December 2014

	Fee	**Salaries allowances and benefits in kind**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Mr. Gao Yun Feng	76	–	76
Mr. Charles Young	76	–	76
Mr. Su Zhong Hua	76	–	76
	228	–	228

For the year ended 31 December 2013

	Fee	**Salaries allowances and benefits in kind**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Mr. Gao Yun Feng	–	–	–
Mr. Charles Young	–	–	–
Mr. Su Zhong Hua	–	–	–
	–	–	–

Note:

Appointed on 25 November 2015.

(b) Employees' emoluments

For the year ended 31 December 2013, no employee was employed and no emoluments were paid to the directors by the PRC Company whose emoluments is included in the disclosures in Note 9(a) above. Therefore, no emoluments were paid by the PRC Company to any individual.

The five highest paid employees during the years ended 31 December 2015 and 2014 included four and three directors, details for whose remuneration are set out in Note 9(a) above. Details of the remuneration of the remaining one and two highest paid, non-director employees are as follows:

	Year ended 31 December		
	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other benefits	73	26	–

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	**Computer and office equipment**	**Motor Vehicle**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost:				
As at 1 January 2013, 31 December 2013 and 1 January 2014	–	–	–	–
Addition	1,261	4	–	1,265
As at 31 December 2014 and 1 January 2015	1,261	4	–	1,265
Addition	–	45	169	214
Exchange realignment	(67)	(3)	(7)	(77)
As at 31 December 2015	1,194	46	162	1,402
Accumulated depreciation and impairment:				
As at 1 January 2013, 31 December 2013, 1 January 2014, 31 December 2014 and 1 January 2015	–	–	–	–
Provided for the year	415	9	–	424
Exchange realignment	(17)	(1)	–	(18)
As at 31 December 2015	398	8	–	406
Net carrying amount:				
As at 31 December 2015	796	38	162	996
As at 31 December 2014	1,261	4	–	1,265
As at 31 December 2013	–	–	–	–

11. AVAILABLE-FOR-SALE INVESTMENT

	As at 31 December		
	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted investment			
– unit trusts at fair value	7,761	8,200	8,327

The amount represented an investment of unit trusts in the PRC, which was measured at fair value at the Relevant Periods for recurring measurement. The valuation technique of available-for-sale investment was based on share of net assets.

12. FINANCIAL LEASE RECEIVABLES

	As at 31 December		
	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Current financial lease receivables	488,077	383,991	30,530
Non-current financial lease receivables	530,521	37,349	71,958
	1,018,598	421,340	102,488

Amount receivable under finance leases

	Minimum lease payment As at 31 December			Present value of minimum lease payment As at 31 December		
	2015	**2014**	**2013**	**2015**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Not later than one year	521,180	405,146	40,573	488,077	383,991	30,530
Later than one year	593,570	39,574	81,144	530,521	37,349	71,958
	1,114,750	444,720	121,717	1,018,598	421,340	102,488
Unearned finance income	(96,152)	(23,380)	(19,229)	N/A	N/A	N/A
Present value of minimum lease payment	1,018,598	421,340	102,488	1,018,598	421,340	102,488

The interest rate inherent in the leases was fixed at the contract date for the entire lease term. The average effective interest rates were approximately 5.2%, 5.9% and 9.4% per annum as at 31 December 2015, 2014 and 2013 respectively.

Financial lease receivable balances are secured over the equipment leased. The PRC Company is not permitted to sell or repledge the collateral in the absence of default by the lessee.

The financial lease receivables at the end of the reporting periods are neither past due nor impaired.

13. DEFERRED TAXATION

The following was the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December		
	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax assets	75	231	454

The following was the deferred tax assets recognised and movements thereon for the Relevant Periods:

	HK$'000
Cost:	
As at 1 January 2013	
Credit to profit or loss	447
Exchange realignment	7
As at 31 December 2013 and 1 January 2014	454
Charge to profit or loss	(216)
Exchange realignment	(7)
As at 31 December 2014 and 1 January 2015	231
Charge to profit or loss	(149)
Exchange realignment	(7)
As at 31 December 2015	75

14. OTHER RECEIVABLES

As at 31 December 2013, other receivable included a loan of approximately RMB14,450,000 to an independent third party, which was unsecured, interest-free and receivable on demand. The loan was fully received in 2014.

15. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Cash and bank balances denominated in RMB	28,987	8,715	1,371

16. PAID-UP CAPITAL

	RMB'000	*HK$'000*
Registered and fully paid:		
As at 1 January 2013, 31 December 2013, 31 December 2014 and 1 January 2015	100,000	124,596
Paid-up capital	39,572	48,000
As at 31 December 2015	139,572	172,596

17. RESERVES

The amounts of the PRC Company's reserves and the movements therein for each of the Relevant Periods are presented in the statement of changes in equity on page 5 of this report.

18. BANK BORROWINGS

	As at 31 December		
	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Secured bank borrowings			
due within one year	374,018	305,068	–
due more than one year, but not more than three years	477,600	–	–
	851,618	305,068	–

The bank borrowings were secured by the finance lease assets held by the leasee with the carrying value of approximately RMB802,136,000 (equivalent to approximately HK$957,750,000), as at 31 December 2015 (2014: RMB 275,033,000, equivalent to approximately HK$346,955,000). The interest rate of the bank borrowings were ranged from 5.1% to 6.3% per annum as at 31 December 2015 (2014: 3.9% to 4.5% per annum).

19. OTHER PAYABLES, ACCRUALS AND RECEIPT IN ADVANCE

	As at 31 December		
	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Interest payable	16,324	–	–
Other payables	3,060	3,768	2,311
Accruals	–	3,785	128
Receipt in advance *(note (i))*	302	925	1,815
	19,686	8,478	4,254

Notes:

(i) Receipt in advance represents the handling charge received from the lessee.

20. GOVERNMENT GRANTS

For the years ended 31 December 2013, 2014 and 2015, the PRC Company received the government grants of RMB2,000,000 (equivalent to HK$2,525,000), RMB1,500,000 (equivalent to HK$1,892,000) and RMB1,500,000 (equivalent to HK$1,868,000) respectively towards the assistance of the development of its operation, which set out in note 6b above.

According to "浦東新區促進金融業發展財政扶持辦法" (Pudong New District Measure on Advancement of Financial Industry Development Fiscal Facilitation*), an enterprise would receive the government grants of RMB5,000,000 by stages if the paid-up capital of the enterprise exceeds RMB100 million.

21. OPERATING LEASE ARRANGEMENTS

As lessee

The PRC Company leases certain of its office properties and equipment under operating lease arrangements.

As at 31 December 2015, the PRC Company had total future minimum lease payments under cancellable operating leases falling due as follows:

	As at 31 December		
	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	496	524	–
Later than one year	496	1,047	–
	992	1,571	–

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the PRC Company and have been prepared in respect of any period subsequent to 31 December 2015.

Your faithfully,
Elite Partners CPA Limited
Certified Public Accountants
Hong Kong
Yip Kai Yin
Practising Certificate Number: P05131

* *For identification purpose only*

The following is the text of a report received from the reporting accountant, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

A. Accountants' Report on Pro Forma Financial Information

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

10th Floor,
8 Observatory Road,
Tsim Sha Tsui,
Kowloon, Hong Kong

7 April 2016

The Board of Director
Merdeka Financial Services Group Limited
Room 1502, Floor 15th,
Chinachem Century Tower,
178 Gloucester Road,
Wan Chai,
Hong Kong

Dear Sir,

We have completed our assurance engagement to report on the compilation of pro forma financial information (the "**Unaudited Pro Forma Financial Information**") of Merdeka Financial Service Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The Unaudited Pro Forma Financial Information consists of the pro forma consolidated statement of financial position as at 31 December 2015 and related notes as set out on pages III-5 to III-7 of the circular of the Company dated 7 April 2016 (the "**Circular**"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on page III-4 to the Circular.

The Unaudited Pro Forma Financial Information has been complied by the directors of the Company to illustrate the impact of the proposed capital injection into Heng He in accordance with the 2013 Capital Injection Agreement and the Supplemental Capital injection Agreement on the Group's consolidated statement of financial position as at 31 December 2015.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owned to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors of the Company have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2015 would have been as presented.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

– the related pro forma adjustments give appropriate effect to those criteria; and

– the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Company, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information on the Enlarged Group has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the pro forma adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information on the Enlarged Group as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Your faithfully,
Elite Partners CPA Limited
Certified Public Accountants
Hong Kong
Yip Kai Yin
Practising Certificate Number: P05131

B. Unaudited Pro Forma Financial Information on the Enlarged Group

Introduction

The following Unaudited Pro Forma Financial Information of the Enlarged Group is prepared by the directors of the Company to illustrate the financial effect of the proposed capital injection to the registered capital of Heng He (the "**Capital Injection**") on the Group, as if the Capital Injection has been completed on 31 December 2015 ("**Enlarged Group**").

The Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 7.31 of the GEM Listing Rules, for the purpose of illustrating the effect of the Capital Injection pursuant to the terms of 2013 Capital Injection Agreement dated 14 December 2013 and the Supplemental Capital Injection Agreement dated 14 December 2015 entered into among the Company and the Vendor.

The unaudited pro forma consolidated statement of financial position is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2015, which has been extracted from the Company's published financial report for the year ended 31 December 2015, after making pro forma adjustments relating to the Capital Injection, as if the Capital Injection had been completed on 31 December 2015.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates and uncertainties. Accordingly, because of its nature, it does not purport to predict what the financial position of the Enlarged Group will be attained upon completion of the Capital Injection.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group set out in the annual report of the Company for the year ended 31 December 2015 and other financial information included elsewhere in this circular.

I. Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2015

	The Group as at 31 December 2015	Pro forma adjustments		The Enlarged Group
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
	(Note 1)			
Non-current assets				
Property, plant and equipment	5,841			5,841
Available-for-sale investments	10,036			10,036
Financial lease receivables	530,520			530,520
	546,397			546,397
Current assets				
Inventories	3,952			3,952
Trade receivables	4,854			4,854
Loan receivables	7,451			7,451
Prepayment, deposits and other receivables	13,714			13,714
Financial lease receivables	488,077			488,077
Deferred tax assets	76			76
Cash and cash equivalents	52,839	38,800	2	108,399
		(38,800)	2	
		55,560	3	
		101,800	3	
		(101,800)	3	
	570,963			626,523
Total assets	1,117,360			1,172,920
Current liabilities				
Bank borrowings – due within one year	374,224			374,224
Obligation under finance lease – due within one year	899			899
Trade payables	19,869			19,869
Other payables and accruals	7,772			7,772
Tax payable	3,502			3,502
	406,266			406,266
Net current assets	164,697			220,257

	The Group as at 31 December 2015	Pro forma adjustments		The Enlarged Group
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
	(Note 1)			
Total assets less current liabilities	711,094			766,654
Non-current liabilities				
Convertible bonds	100,205			100,205
Promissory notes	47,627			47,627
Obligation under finance lease – due more than one yar	1,968			1,968
Bank borrowings – due more than one year	477,600			477,600
	627,400			627,400
Net assets	83,694			139,254
Capital and reserves attributable to the Owners of the Company				
Share capital	1,225			1,225
Reserves	14,454	14,109	2	28,563
	15,679			29,788
Non-controlling interests	68,015	(14,109)	2	109,466
		55,560	3	
Total equity	83,694			139,254

Notes to Unaudited Pro Forma Financial Information of the Enlarged Group

1. The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2015 as set out in the Company's published annual report for the year ended 31 December 2015.

2. The adjustment represents the outstanding capital commitment to Heng He of approximately RMB32 million (approximately HK$38.8 million) pursuant to the 2013 Capital Injection Agreement to be contributed by Ideal Magic. Upon the settlement of the outstanding capital commitment or RMB32 million, Ideal Magic will increase its shareholding interest in Heng He from 56.97% to 64.71%. Accordingly, the non-controlling interests of Heng He will decreased by approximately HK$14,109,000 and transfer to reserve because it does not result in the change in control by the Group over Heng He.

3. Upon the full settlement of the oustanding capital commitment of RMB32 million, the total capital injection amount of RMB130 million will be contributed by Ideal Magic and Shanghai Xunli in accordance with the proportion of share interest owed by the respective parties. As such, Ideal Magic and Shanghai Xunli had agreed to contribute approximately RMB84.1 million (approximately HK$101.8 million) and approximately RMB45.9 million (approximately HK$55.5 million) respectively. The shareholding of Heng He will remain owned as to approximately 64.71% by Ideal Magic and 35.29% by Shanghai Xunli upon the full settlement of the Capital Injection.

4. Apart from the above, no other adjustments have been made to reflect any other transactions of the Group entered into subsequent to 31 December 2015. Unless otherwise stated, the adjustments above were not expected to have a continuing effect on the Enlarged Group.

1. RESPONSIBILITY STATEMENT

This circular, 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 Group. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of the issued share capital of the Company
Cheung Wai Yin, Wilson ("**Mr. Cheung**")	Founder of a discretionary trust and personal *(Note)*	98,995,314	8.08%
Lau Chi Yan, Pierre	Personal	3,984,375	0.33%

Note: As at the Latest Practicable Date, 98,437,500 Shares were owned by Ivana Investment Limited ("**Ivana**"), a company incorporated in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiatrust 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 and the discretionary objects which are family members of Mr. Cheung (including Mr. Cheung himself). Accordingly, Mr. Cheung is deemed to be interested in the relevant Shares of the purpose of the SFO. Mr. Cheung is also personally interested in 557,814 Shares.

Long positions in the underlying shares

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of the issued share capital of the Company
Mr. Cheung	Personal	100,000,000	8.16%
	Founder of a discretionary trust *(Note)*	297,619,048	24.29%
Lau Chi Yan, Pierre	Personal	20,000,000	1.63%
Ng Kay Kwok	Personal	1,000,000	0.08%
Yip Kat Kong, Kenneth	Personal	1,000,000	0.08%
Yeung Mo Sheung, Ann	Personal	1,016,483	0.08%

Note: As at the Latest Practicable Date, the interest is held by Ivana, a company incorporated in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiatrust 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 and the discretionary objects which are family members of Mr. Cheung (including Mr. Cheung himself).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company have interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

Interests of Substantial Shareholders

So far as is known to any Directors or chief executives of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares, debentures or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions

Name of Shareholder	Nature of Interest	Number of shares	Number of underlying shares	Approximate percentage of total issued share capital of the Company
Asiatrust Limited *(Note 1)*	Trustee	98,437,500	297,619,048	24.29%
CW Limited *(Note 1)*	Controlled corporation	98,437,500	297,619,048	24.29%
Ivana	Beneficial owner	98,437,500	297,619,048	24.29%
Yihua Enterprise Limited	Beneficial owner	–	173,913,043	14.20%
Cheng Jun *(Note 2)*	Controlled corporation	–	173,913,043	14.20%
Gao Yun Feng *(Note 2)*	Controlled corporation	–	173,913,043	14.20%

Note 1: The interest is held by Ivana, a company incorporate in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiatrust 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 and the discretionary objects of which are family members of Mr. Cheung (including Mr. Cheung himself).

Note 2: The interest is held by Yihua Enterprise Limited, a company incorporated in the British Virgin Islands owned as to 50% by Mr. Cheung Jun and 50% by Mr. Gao Yun Feng.

Save as disclosed above, so far as is known to the Directors or chief executives of the Company, the Company had not been notified of any other interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

3. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or has or may have any other conflicts of interest with the Group pursuant to the GEM Listing Rules.

5. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors were materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group. As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2014, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of, or leased to any member of the Group.

6. LITIGATION

On 22 January 2015, the Company announced that a writ of summons was issued in the Court of First Instance of the High Court of Hong Kong by Au Kai To Karel, as the plaintiff claiming against (i) End User Technology Limited, an indirect wholly-owned subsidiary of the Company, as the 1st Defendant; (ii) the Company, as the 2nd Defendant; and (iii) Lau Chi Yan Pierre, the managing director and executive director of the Company, as the 3rd Defendant for, inter alia, (1) specific performance of an agreement dated 2 May 2013 in relation to a discloseable transaction of the Company (details of which were disclosed in the announcement of the Company dated 2 May 2013); or (2) alternatively, the damages in the sum of HK$8,000,000 in lieu of specific performance; and (3) the interest; (4) further and/or other relief; and (5) the costs. The Company have instructed legal representative to handle the matter, and was advised that the claim does not have merits as the agreement had been duly and completely performed. The three defendants, namely the Company, its subsidiary and Mr. Lau Chi Yan, Pierre have filed the relevant statements of defence with the High Court accordingly.

Save for the above litigation, as at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, the Group was not involved in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

7. MATERIAL CONTRACT

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(a) the shareholders' agreement dated 1 April 2014 and entered into between Gold Coin Development Limited, a wholly-owned subsidiary of the Company, and Mian Yang Heng Da Investments Limited, a shareholder of Mian Yang Heng Da Information Technology Limited ("**Mian Yang Heng Da**"), for the subscription of registered capital of Mian Yang Heng Da Information Technology Limited in the amount of RMB3,000,000 and to pay RMB1,000,000 to Mian Yang Heng Da for the subscription of 60% of the enlarged capital in Mian Yang Heng Da;

(b) the underwriting agreement dated 11 April 2014 (as supplemented by a supplemental agreement dated 27 May 2014) entered into between the Company as the issuer and CNI Securities Group Limited as the underwriter in relation to the underwriting arrangement in respect of the rights issue at the subscription price of HK$0.04 per rights share on the basis of 4 rights shares for every 1 existing share held by the Shareholders;

(c) the second supplemental deed dated 9 July 2014 and entered into between the Company and the holders of the convertible bonds issued by the Company on 12 August 2008 for the amendment of the terms thereto, including, inter alia, the extension of the maturity date to 12 August 2017 and the revision of the conversion price to HK$0.0462 per Share;

(d) the conditional sale and purchase agreement dated 31 October 2014 and entered into among End User Investments Limited as the purchaser, a wholly-owned subsidiary of the Company, Yihua Enterprises Limited as the vendor and Mr. Cheng Jun and Mr. Gao Yun Feng as the guarantors, in relation to the acquisition of the entire issued share capital of Blossom Height Ventures Limited;

(e) the underwriting agreement dated 8 May 2015 entered into between the company as the issuer and Pacific Foundation Securities Limited as the underwriter in relation to the underwriting arrangement in respect of the open offer at HK$0.09 per offer share on the basis of 2 offer shares for every 1 existing share held by Shareholders;

(f) the placing agreement dated 17 August 2015 entered into between the Company and Guoyuan Securities Brokerage (Hong Kong) Limited as placing agent for the placing of up to 76,000,000 new shares at HK$0.120 per Share;

(g) the placing agreement dated 12 November 2015 entered into between the Company and Guoyuan Securities Brokerage (Hong Kong) Limited as placing agent for the placing of up to 245,000,000 new shares at HK$0.170 per Share;

(h) the Capital Injection Agreement;

(i) the placing agreement dated 14 March 2016 entered into between the Company and Convoy Investment Services Limited as placing agent for the placing of up to 245,000,000 new shares at HK$0.119 per share; and

(j) the supplemental agreement dated 31 March 2016 entered into between the Company and Convoy Investment Services Limited to amend the terms of the placing agreement in (i) above. The number of placing shares was reduced to a maximum of 125,000,000 new shares at HK$0.119 per share.

8. MISCELLANEOUS

(a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its head office and principal place of business in Hong Kong is at Room 1502, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

(b) The company secretary of the Company is Mr. Lai Yau Hong, Thomson. He has over 20 years of experience in company secretarial duties as well as corporate governance and management fields and has taken up senior management positions in a number of multinational conglomerates and companies listed on the Stock Exchange. He is an associate member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. He is also a holder of the Practitioner's Endorsement issued by The Hong Kong Institute of Chartered Secretaries.

(c) The Company's Hong Kong branch share registrar and transfer office is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in the case of inconsistency.

(e) As at the Latest Practicable Date, the Audit Committee of the Board comprises three members, including Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Yip Tat Kong, Kenneth, all are independent non-executive Directors. Mr. Ng Kay Kwok has the appropriate financial and accounting experience required by the GEM Listing Rules. The primary duties of the Audit Committee of the Board is to communicate with the management of the Group from time to time, including but not limited to review the accounting principles and practices adopted by the Company, the effectiveness of its internal control systems, the interim and annual results of the Company. The biographical details of the members of the Audit Committee of the Board are set out in paragraph (f) below.

(f) The brief biographical details of Directors and members of the senior management of the Company are set out below:

Executive Directors

Mr. Cheung Wai Yin, Wilson, aged 45, is currently an executive director, the chairman, chief executive officer ("**CEO**"), compliance officer, member of the Nomination Committee, member of the Remuneration Committee, authorised representative and agent for service of process in Hong Kong of the Company and as a director of certain relevant subsidiaries of the Company. He is deemed a substantial shareholder of the Company. He is also the Chairman and Chief Executive Officer of Dejin Resources Group Company Limited, a company listed in Hong Kong. Mr. Cheung has over 18 years of experience in the field of audit, business development, corporate finance and financial management. Mr. Cheung is a member of the Hong Kong Institute of Certified Public Accountants and Hong Kong Securities and Investment Institute. He holds a Master of Science degree in Financial Engineering from City University of Hong Kong and Bachelor degrees in Arts and Administrative Studies from York University, Canada.

Mr. Lau Chi Yan, Pierre, aged 40, is currently an executive director, the managing director, member of Nomination Committee, member of the Remuneration Committee and as a director of certain relevant subsidiaries of the Company. He is also the executive director of Dejin Resources Group Company Limited, a company listed in Hong Kong. Mr. Lau has over 14 years of experience in the field of information system, operational system and general management. Mr. Lau holds an Executive Master Degree of Business Administration in General Management from University of Hull, the United Kingdom and a Bachelor of Science degree in Computer Science from University of Calgary, Canada. Besides, Mr. Lau is a member of Guangdong Huizhou Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省惠州市委員) and a member of The 12th All-China Youth Federation Committee (第十二屆中華全國青年聯合委員會).

Independent Non-executive Directors

Ms. Yeung Mo Sheung, Ann ("Ms. Yeung"), aged 51, has served as an independent non-executive Director of the Company since October 2012 and is a member of the Nomination Committee, the Remuneration Committee and the Audit Committee. She holds a Bachelor degree of Retail Marketing with honours in the United Kingdom and a Diploma in Marketing from The Chartered Institute of Marketing. She pursued her further study on legal course and has been awarded a Diploma in Legal Practice in the United Kingdom in 1998 and is presently a solicitor of Messrs. Wong & Wong Lawyers, a legal firm in Hong Kong. Ms. Yeung is currently an independent non-executive director, a member of the audit committee, a member of the remuneration committee and a member of the nomination committee of Success Universe Group Limited, issued shares of which are listed on the Main Board of the Stock Exchange.

Furthermore, she is currently an independent non-executive director, a member of each of the audit committee, remuneration committee and nomination committee of each of E Lighting Group Holdings Limited and Tai Shing International (Holdings) Limited, issued shares of both are listed on GEM. She is also the chairman of the nomination committee of E Lighting Group Holdings Limited.

Mr. Ng Kay Kwok ("Mr. Ng"), aged 53, has served as an independent non-executive Director of the Company since July 2013 and is a member of the Nomination Committee, the Remuneration Committee and the Audit Committee. He graduated from the Australian National University with a Bachelor 's Degree in Economics and obtained a Graduate Diploma in Accounting from Macquarie University. He is a member of CPA Australia and has extensive experience in accounting and financial management. In addition, Mr. Ng was an executive director and the chief executive officer of GET Holdings Limited ("**GET**"), a company listed on GEM, from 9 July 2010 to 31 May 2011 and from 29 May 2012 to 24 May 2013, he was also the company secretary of GET from 1 January 2007 to 31 May 2011. Mr. Ng is currently an independent non-executive director, the chairman of the audit committee, a member of the nomination committee and the remuneration committee of China Fortune Financial Group Limited, a company listed on the Main Board of the Stock Exchange.

Mr. Yip Kat Kong, Kenneth ("Mr. Yip"), aged 53, has served as an independent non-executive Director of the Company since July 2013 and is a member of the Nomination Committee, the Remuneration Committee and the Audit Committee. He is the founder and chairman of Greater China Capital Group Limited and Greater China Corporation Consultants Limited, both specialize in company restructuring, listing, portfolio investment and merger and acquisition. He has over 30 years of experience in the accounting profession and, coupled with his hands-on experience and expertise in different industries, has been engaged in various growing enterprises including those listed on the Stock Exchange to serve as their strategic and business advisor. Mr. Yip is a member of various business and commercial organizations and societies in both China and Hong Kong, including, a member of Guangdong Huizhou Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省惠州市委員), a standing member of Guangdong Federation of Industry & Commerce (廣東省僑聯常務委員), an executive member of Guangdong Federation of Industry & Commerce (廣東省工商業聯合會(總商會)執委), a Director of Guangdong Overseas Friendship Association (廣東海外聯誼會理事) and a member of China Affairs Committee of The Chinese General Chamber of Commerce Hong Kong (香港中華總商會中國內地事務委員).

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of the Company at Room 1502, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong, during normal business hours on any weekday (except for Saturday and public holdiays) from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the material contracts referred to in the paragraph head "Material Contracts" in this Appendix;

(c) the published annual reports of the Company for the three years ended 31 December 2015; and

(d) a copy of each circular issued pursuant to the requirements set out in Chapter 19 and/or 20 of the GEM Listing Rules which has been issued since 31 December 2015, being the date to which the latest audited consolidated financial statements of the Group were made up.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Merdeka Financial Services Group Limited (the "**Company**") will be held at Jasmine Room, 3/F., Best Western Plus Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong at 11:00 a.m. on Tuesday, 26 April 2016 for the purpose of considering and, if thought fit, passing the following resolution with or without amendment as ordinary resolution.

ORDINARY RESOLUTION

"**THAT** the capital injection agreement (the "**Capital Injection Agreement**") dated 14 December 2015 entered into between Ideal Magic International Limited, an indirect wholly-owned subsidiary of the Company, and 上海市巽離股權投資管理有限公司 (Shanghai Xunli Equity Investment Management Limited*), are hereby generally and unconditionally approved and the Directors of the Company be and are hereby authorized to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Capital Injection Agreement or any transactions contemplated thereunder."

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

Hong Kong, 7 April 2016

Registered office:
Cricket Square
Hutchins Drive
R.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
British West Indies

Head office and principal place of business in Hong Kong:
Room 1502
Chinachem Century Tower
178 Gloucester Road
Wanchai, Hong Kong

* *For identification purpose only*

Notes:

1. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such shares as if he were solely thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the share register of the Company in respect of the joint holding. Several executors or administrators of a deceased member in whose name any share stand shall for the purpose of the articles of association of the Company be deemed joint holders thereof.

2. Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not to be a member. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

3. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the extraordinary general meeting or adjourned meeting.

5. All voting by the members at the meeting shall be conducted by way of poll.

As at the date of this notice, the Board comprises two executive Directors, namely Mr. Cheung Wai Yin, Wilson and Mr. Lau Chi Yan, Pierre, and three independent non-executive Directors, namely Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth.