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

If you have sold or transferred all your securities in the Company, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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MERDEKA

MERDEKA FINANCIAL SERVICES GROUP LIMITED

(萬德金融服務集團有限公司*)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8163)

**(I) CONNECTED TRANSACTION:
AMENDMENTS TO THE TERMS AND CONDITIONS
OF THE CONVERTIBLE BONDS,
(II) PROPOSED REFRESHMENT OF CURRENT GENERAL MANDATE
AND
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent financial adviser to
the Independent Board Committee and the Independent Shareholders**



**GOLDIN FINANCIAL LIMITED
高銀融資有限公司**

A letter from the Independent Board Committee is set out on pages 25 to 26 of this circular.

A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 45 of this circular.

A notice convening the EGM to be held on Tuesday, 7 March 2017 at 11:00 a.m. at Jasmine Room, 3/F., Best Western Plus Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong is set out on pages 51 to 54 of this circular. Whether or not you are able to attend and/or vote at the EGM in person, you are requested to complete the enclosed form of proxy and return it 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, in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

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 the website of the Company at <http://www.merdeka.com.hk>.

20 February 2017

** for identification purposes only*

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.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“2016 AGM”	the annual general meeting of the Company held on 24 May 2016
“2018 Convertible Bonds”	the zero coupon convertible bond(s) issued by the Company on 21 April 2015 and due in 2018 with an outstanding principal amount of HK\$40,000,000 conferring rights to convert into a total of 173,913,043 Shares at conversion price of HK\$0.23 per Share (subject to adjustment)
“associates”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds, which as at the Latest Practicable Date, are Ivana, Mr. Jin and Mr. Shang
“Company”	Merdeka Financial Services Group Limited, a company incorporated in the Cayman Islands, whose issued Shares are listed on GEM
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Conversion Price”	the price per Share at which Shares shall be issued upon exercise of the conversion rights attached to the Convertible Bonds, which will be HK\$0.095 per Conversion Share under the Proposed Terms, subject to adjustment under the terms and conditions of the Convertible Bonds
“Conversion Share(s)”	new Share(s) to be issued by the Company upon exercise of the conversion rights attached to the Convertible Bonds by the Bondholders
“Convertible Bond(s)”	the zero coupon convertible bonds due 2017 issued by the Company on 12 August 2008 (as amended by two supplemental deeds dated 30 May 2011 and 9 July 2014)
“Current General Mandate”	the general mandate granted to the Directors at the 2016 AGM to allot, issue and deal with Shares up to a maximum of 20% of the number of Shares in issue as at the date of the 2016 AGM
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve (i) the Third Supplemental Deed and the transaction contemplated thereunder including the Proposed Terms and the grant of the Specific Mandate; and (ii) the refreshment of the Current General Mandate

DEFINITIONS

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Heng He”	恆河融資(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 and an indirect non-wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth, all being Independent non-executive Directors, to advise the Independent Shareholders in relation to (i) the transaction contemplated under the Third Supplemental Deed including the Proposed Terms and the Specific Mandate; and (ii) the refreshment of the Current General Mandate
“Independent Financial Adviser”	Goldin Financial Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the transactions contemplated under the Third Supplemental Deed including the Proposed Terms and the Specific Mandate; and (ii) the refreshment of the Current General Mandate
“Independent Shareholders”	Shareholders other than Mr. Cheung, Ivana and their respective associates (in respect of the Proposed Terms), or Shareholders other than Mr. Cheung, Ivana, Mr. Lau Chi Yau, Pierre and their respective associates (in respect of the Refreshed General Mandate)
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is/are not connected with the Company and its connected persons
“Ivana”	Ivana Investments Limited, being an investment holding company, the entire issued shares of which are controlled by a trust founded by Mr. Cheung, and is one of the Bondholders

** for identification purposes only*

DEFINITIONS

“Latest Practicable Date”	14 February 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Committee”	has the meaning ascribed to this term under the GEM Listing Rules
“Mr. Cheung”	Mr. Cheung Wai Yin, Wilson, an executive Director, Chairman and the Chief Executive Officer of the Company
“Mr. Jin”	Mr. Jin Xiaobin, a holder of the Convertible Bonds who is an Independent Third Party
“Mr. Shang”	Mr. Shang Xiaodong, a holder of the Convertible Bonds who is an Independent Third Party
“PRC”	People’s Republic of China, which for the purpose of this circular shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Proposed Terms”	together (a) the proposed extension of the maturity date of the Convertible Bonds for a further three years from 12 August 2017 to 12 August 2020; (b) the proposed revision of the conversion price of the Convertible Bonds from HK\$0.3696 per Conversion Share to HK\$0.095 per Conversion Share; and (c) revise the adjustment events to the Conversion Price to include the following events: (i) issue of Shares for subscription by way of rights, or a grant of options or warrants to subscribe for Shares, at a price which is less than 80% of the market price per Share to the Shareholders; (ii) issue wholly for cash of securities convertible into or exchangeable for or carrying rights of subscription for Shares, if in any case the total effective consideration per Share receivable is less than 80% of the market price, or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration receivable is less than 80% of such market price; and (iii) issue of Shares being made wholly for cash at a price less than 80% of the market price per Share
“Refreshed General Mandate”	a general and unconditional mandate proposed to be granted to the Directors at the EGM to exercise the power of the Company to allot, issue or otherwise deal with Shares up to a maximum of 20% of the number of Shares in issue as at the date of passing of the relevant resolution
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of par value of HK\$0.001 each in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	the holder(s) of the Shares
“Specific Mandate”	the specific mandate to allot and issue the Conversion Shares at the Conversion Price to be sought from the Independent Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers
“Third Supplemental Deed”	the supplemental deed dated 20 January 2017 and entered into between the Company and the Bondholders in respect of the Proposed Terms
“%”	percentage or per centum

LETTER FROM THE BOARD



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)*

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
British West Indies

Independent non-executive Directors:

Ms. Yeung Mo Sheung, Ann
Mr. Ng Kay Kwok
Mr. Yip Kat Kong, Kenneth

*Head office and principal place
of business in Hong Kong:*

Room 1502
Chinachem Century Tower
178 Gloucester Road
Wanchai, Hong Kong

20 February 2017

To the Shareholders

Dear Sir or Madam

**(I) CONNECTED TRANSACTION:
AMENDMENTS TO THE TERMS AND CONDITIONS
OF THE CONVERTIBLE BONDS,
(II) PROPOSED REFRESHMENT OF CURRENT GENERAL MANDATE
AND
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to the announcements of the Company dated 23 October 2007, 30 May 2011, 4 July 2011, 9 July 2014, 19 September 2014 and 20 January 2017, and the circulars (the “**Circulars**”) of the Company dated 30 May 2008, 15 June 2011 and 2 September 2014 in relation to the issue of, and the subsequent amendments made to, the Convertible Bonds convertible into Shares at the then initial conversion price of HK\$0.10 per Conversion Share (subject to adjustment as provided in the terms and conditions of the Convertible Bonds) as part of the consideration for the acquisition of forest concessions in Papua, Indonesia on 12 August 2008.

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LETTER FROM THE BOARD

The Convertible Bonds are unsecured, interest-free and were originally mature on 12 August 2011. Unless the Convertible Bonds are converted into the Shares, the outstanding principal amount of the Convertible Bonds would be redeemed in full on maturity.

By the two supplemental deeds dated 30 May 2011 and 9 July 2014, among other changes on the terms of the Convertible Bonds, the maturity date of the Convertible Bonds and its conversion period have been extended to 12 August 2017.

As at the Latest Practicable Date, the aggregate outstanding principal amount of the Convertible Bonds is HK\$124,068,000, which is legally and beneficially owned by three Bondholders, convertible into the Shares at the conversion price of HK\$0.3693 per Share.

For further details of the Convertible Bonds, please refer to the Circulars.

In addition, the Board proposes to seek the Shareholders' approval for the Refreshed General Mandate.

The purpose of this circular is to provide you with, among other things, details of the Convertible Bonds, the Proposed Terms, the proposed refreshment of the Current General Mandate, the letters from the Independent Board Committee and the Independent Financial Adviser and the notice convening the EGM for the Independent Shareholders to consider and, if thought fit, to approve the resolutions in relation to (i) the Third Supplemental Deed and the transactions contemplated thereunder including the granting of the Specific Mandate and (ii) the proposed refreshment of the Current General Mandate.

THIRD SUPPLEMENTAL DEED RELATING TO THE CONVERTIBLE BONDS

On 20 January 2017 (after trading hours), the Company and the Bondholders, namely, Ivana, Mr. Jin and Mr. Shang, entered into the Third Supplemental Deed to: (a) extend the maturity date of the Convertible Bonds for a further three years to 12 August 2020; (b) revise the conversion price of the Convertible Bonds from HK\$0.3696 per Share to HK\$0.095 per Share; and (c) revise the adjustment events to the Conversion Price to include the following events:

- issue of Shares for subscription by way of rights, or a grant of options or warrants to subscribe for Shares, at a price which is less than 80% of the market price per Share to the Shareholders;
- issue wholly for cash of securities convertible into or exchangeable for or carrying rights of subscription for Shares, if in any case the total effective consideration per Share receivable is less than 80% of the market price, or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration receivable is less than 80% of such market price; and
- issue of Shares being made wholly for cash at a price less than 80% of the market price per Share.

LETTER FROM THE BOARD

To the best information, knowledge and belief of the Directors after making necessary enquiry, each of the Bondholders (other than Ivana which is a connected person of the Company) is an Independent Third Party.

The Third Supplemental Deed is conditional upon the following conditions:

- (a) the Stock Exchange granting its approval for the Proposed Terms;
- (b) the passing of an ordinary resolution by the Independent Shareholders at the EGM approving the Third Supplemental Deed and the transactions contemplated thereunder including the grant of the Specific Mandate; and
- (c) the GEM Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares to be issued upon exercise of conversion rights attached to the outstanding Convertible Bonds.

None of the above conditions are waivable. If any of the conditions above are not fulfilled by 31 March 2017, the parties to the Third Supplemental Deed will not be bound to proceed with the transactions contemplated under the Third Supplemental Deed and the Third Supplemental Deed will cease to have any effect.

Apart from the Proposed Terms, all other terms of the Convertible Bonds remain unchanged. A summary of the principal terms of the Convertible Bonds as adjusted by the Proposed Terms is as follows:

Issuer	:	The Company
Outstanding principal amount as at the Latest Practicable Date	:	HK\$124,068,000
Interest	:	Zero coupon
Conversion period	:	Subject to the restrictions specified below, Bondholders shall be entitled to convert the Convertible Bonds into the Conversion Shares at any time during the period commencing from the date of issue of the Convertible Bonds until the date that falls on the fifth day immediately before the maturity date.
Restrictions in conversion	:	There is no right for any Bondholder(s) to convert any principal amount of the Convertible Bonds held by the Bondholder(s) and the Company shall not issue any Conversion Shares thereof if, upon such conversion and issue of the Conversion Shares, the Company will be in breach of the minimum public float requirement as stipulated under Rule 11.23 of the GEM Listing Rules.

LETTER FROM THE BOARD

Conversion Price : Upon the Third Supplemental Deed taking effect, the Conversion Price would be HK\$0.095 per Conversion Share, subject to adjustments.

The Conversion Price represents:

- (i) the closing price per Share as quoted on the Stock Exchange of HK\$0.095 on 20 January 2017, being the date of the Third Supplemental Deed;
- (ii) a premium of about 1.93% over the average of the closing prices of HK\$0.0932 per Share for the last five trading days immediately preceding 20 January 2017; and
- (iii) a discount of about 16.67% to the closing price per Share as quoted on the Stock Exchange of HK\$0.114 on the Latest Practicable Date

The Conversion Price was determined by reference to the recent trading performance and trading volume of the Shares on the Stock Exchange. The Directors considers that similar factors were used to determine the revised Conversion Price and that the premium of about 1.93% over the average closing price for the last five trading days immediately preceding the date of the Third Supplemental Deed was similar to the premium of approximately 2.67% over the market price of the Shares when the revision was made under the second supplemental deed dated 9 July 2014.

Adjustment events : The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events:

- (i) consolidation or subdivision of the Shares;

If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount:

$$\frac{A}{B}$$

LETTER FROM THE BOARD

where

A is the nominal amount of one Share immediately after such consolidation or sub-division; and

B is the nominal amount of one Share immediately before such consolidation or sub-division.

Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective.

- (ii) capitalisation of profits or reserves;

If and whenever the Company shall issue (other than in lieu of the whole or part of a cash dividend and other than issue that would amount to a Capital Distribution) any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation.

$$\frac{A}{A+B}$$

where

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the Shares issued in such capitalisation

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.

LETTER FROM THE BOARD

- (iii) capital distribution;

If and whenever the Company shall make any capital distribution to the Shareholders (in their capacity as such), the Conversion Price in force immediately prior to such distribution or grant shall be reduced by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the market price on the date on which the Capital Distribution is publicly announced or (failing any such announcement) the date preceding the capital distribution; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by an independent accountants, of the portion of the capital distribution which is attributable to one Share,

Provided that if in the opinion of an independent accountants, the use of the fair market value as aforesaid produces a result which is significantly inequitable, such independent accountant may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said market price which should properly be attributed to the value of the capital distribution.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the capital distribution.

- (iv) issue of Shares for subscription by way of rights, or a grant of options or warrants to subscribe for Shares, at a price which is less than 80% of the market price per Share to the Shareholders;

LETTER FROM THE BOARD

If and whenever the Company shall offer to all or substantially all Shareholders as a class for subscription by way of rights, or shall issue or grant to all or substantially all Shareholders as a class, by way of rights, any options, warrants or other rights to subscribe for or purchase any new Shares, in each case at a price which is less than 80 per cent. of the market price on the last dealing day preceding the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately on the last dealing day preceding the date of the announcement by the following fraction:

$$\frac{A + B}{A + C}$$

where

- A is the number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate amount (if any) payable for the rights, or for the options or warrants or other rights issued by way of rights, and for the total number of Shares comprised therein would purchase at such market price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the offer or grant.

Such adjustment shall become effective on the date of the issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

Provided however that no such adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to the Bondholders (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) as if it had exercised the conversion rights under the Bonds registered in its name in full on the day immediately preceding the record date for such offer or grant.

LETTER FROM THE BOARD

- (v) issue wholly for cash of securities convertible into or exchangeable for or carrying rights of subscription for Shares, if in any case the total effective consideration per Share receivable is less than 80% of the market price, or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration receivable is less than 80% of such market price; and

If and whenever the Company shall issue wholly for cash any securities (other than the Bonds pursuant to the Bond Instrument) which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration (as defined below) per Share initially receivable for such securities is less than 80 per cent. of the market price on the last dealing day preceding the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by the following fraction:

$$\frac{A + B}{A + C}$$

where

- A is the number of Shares in issue immediately before such issue;
- B is the number of Shares which the total Effective Consideration receivable by the Company for the Shares to be issued upon conversion or exchange of or upon exercise of the right of subscription attached to such securities would purchase at such market price per Share; and
- C is the maximum number of Shares to be issued upon conversion into or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of the issue of such securities.

LETTER FROM THE BOARD

If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (aa) of this sub-paragraph (v) are modified so that the total Effective Consideration per Share initially receivable for such securities shall be less than 80 per cent. of the market price on the last dealing day preceding the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where

- A is the number of Shares in issue immediately before such modification;
- B is the number of Shares which the total Effective Consideration receivable by the Company for the Shares to be issued upon conversion or exchange, or upon exercise of the right of subscription attached to the securities so modified, would purchase at such market price per Share or, if lower, the existing conversion, exchange or subscription price; and
- C is the maximum number of Shares to be issued upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate,

but giving credit in such manner as the independent accountants (whom the Company undertakes to engage for the purpose of this paragraph) shall, acting as an expert, consider appropriate (if at all) for any adjustment under this paragraph.

LETTER FROM THE BOARD

Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.

For the purposes of this sub-paragraph (v), the “**total Effective Consideration**” receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the total Effective Consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

- (vi) issue of Shares being made wholly for cash at a price less than 80% of the market price per Share.

If and whenever the Company shall issue (otherwise than as mentioned in (iv) above) wholly for cash any Shares (other than Shares issued on the exercise of conversion rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant (otherwise than as mentioned in (iv) above) options, warrants or other rights to subscribe for or purchase Shares, in each case at a price per Share which is less than 80 per cent. of the market price on the last dealing day preceding the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by the following fraction:

$$\frac{A + B}{C}$$

LETTER FROM THE BOARD

where

- A is the number of Shares in issue immediately before the date of the relevant announcement;
- B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such market price per Share; and
- C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue or grant by the Company of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of the issue of such Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

- Early Redemption: : the Company may at any time during the period commencing from the date of issue of the Convertible Bonds to the maturity date of the Convertible Bonds to redeem the whole or part of the outstanding Convertible Bonds of the Bondholder(s) on a pro rata basis
- Transferability: : The Convertible Bonds are transferable from the date of issue of the Convertible Bonds until the date that falls on the tenth day before the maturity date, subject to the terms and conditions of the Convertible Bonds.

LETTER FROM THE BOARD

Adjustment events (i) to (iii) were provided for in the initial terms of the Convertible Bonds issued in 2008 and adjustment events (iv) to (vi) are new additions under the Third Supplemental Deed. The reason for the proposed amendments to the Convertible Bonds in the Third Supplemental Deed to include adjustment events (iv) to (vi) is because the Bondholders discovered after the open offer conducted by the Company in July 2015 that the Conversion Price was not subject to any automatic adjustment provision under the initial terms of the Convertible Bonds in the event of open offer or rights issue of the Company and requested such provisions to be included in the Third Supplemental Deed to be in line with the terms of the 2018 Convertible Bonds.

Since the issue of the Convertible Bonds in 2008, the Conversion Prices was adjusted as follows:

Date of adjustment	Adjustment event	Adjusted conversion price per share of the Company
26 March 2013	Share consolidation	HK\$4.00
19 September 2014	Re-set pursuant to the second supplemental deed dated 9 July 2014	HK\$0.0462
29 September 2014	Share consolidation	HK\$0.3696

As at the Latest Practicable Date, the Company has no intention to conduct any corporate actions such as share consolidation or change in board lot size which would trigger the adjustment to the Conversion Price.

If the outstanding Convertible Bonds are fully converted at the Conversion Price of HK\$0.095 per Share, a maximum of 1,305,978,947 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the outstanding Convertible Bonds in full, which represents:

- (i) approximately 80.61% of the issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 44.63% of the issued share capital of the Company as to be enlarged by the issue of the 1,305,978,947 Conversion Shares (assuming there being no other issue or repurchase of Shares).

According to the existing terms of the Convertible Bonds, a Bondholder shall have the right to convert the Convertible Bonds into Shares provided that the public float of the Shares shall not be less than 25% (or any given percentage as required by the GEM Listing Rules) of the issued Shares at any time in compliance with the GEM Listing Rules.

The Conversion Shares will be issued under the Specific Mandate to be sought at the EGM and the Company has applied to the Stock Exchange for the listing of, and permission to deal in the Conversion Shares and the amendments of the Convertible Bonds according to the Proposed Terms under Rule 34.05 of the GEM Listing Rules.

LETTER FROM THE BOARD

REASONS FOR THE THIRD SUPPLEMENTAL DEED

The Proposed Terms effectively allow the Group to refinance the debts under the Convertible Bonds under the same financial terms for a further three-year period. Since the existing conversion price of the Convertible Bonds is much higher than the prevailing market price of the Share, the Conversion Price together with the newly included adjustment events (which are standard and customary in Hong Kong for similar convertible securities issuance) will serve as an incentive for the Bondholders to exercise their conversion rights attached to the Convertible Bonds to convert the Convertible Bonds into the Shares, thereby alleviating the financial pressure on the Company for redemption at the maturity date. As the Convertible Bonds carry no interest, it will not incur any interest burden for the Group for the next three years. Save for the Proposed Terms, other terms and conditions of the Convertible Bonds remain unchanged.

Prior to entering into the Third Supplemental Deed, the Company has considered alternative funding options for the repayment of the outstanding Convertible Bonds. However, having considered that the Convertible Bonds carry zero coupon rate and any other form of fund raising option would incur interests expenses or the issue of securities which may dilute the relative shareholdings of existing Shareholders, the Company considers that extending the term of the Convertible Bonds for a further term of three years is in the best interests of the Company and the Shareholders as a whole.

If the Convertible Bonds are to be redeemed in cash at the original maturity date of 12 August 2017, the net cash outflow would be approximately HK\$124,068,000 and given the current cash position of the Group as at 31 December 2016 of approximately HK\$63,300,000, the Company would have to arrange for alternative funding options to fully redeem all outstanding Convertible Bonds in cash upon its maturity in order to ensure that the Group will have sufficient cash balance on hand to carry out its business of financial services and money lending. The unaudited net current asset of the Group as at 31 December 2016 is approximately HK\$125,918,890.

The Board (excluding Mr. Cheung Wai Yin, Wilson, the founder of a trust which is the ultimate beneficial owner of Ivana who has material interest in the Proposed Terms and has abstained from voting in the Board meeting for approving the Proposed Terms) considers that the terms and conditions of the Third Supplemental Deed (including the Conversion Price) are fair and reasonable and the Proposed Terms are in the interests of the Company and the Shareholders as a whole. No proceeds will be received by the Company as a result of the Proposed Terms.

LETTER FROM THE BOARD

FUND RAISING ACTIVITY IN THE PAST TWELVE MONTHS

Apart from the equity fund raising activity mentioned below, the Company had not conducted any other equity fund raising activities in the past 12 months immediately preceding the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
14 March 2016 and 31 March 2016	Placing of up to 125,000,000 new Shares at HK\$0.119 per Share under general mandate	HK\$14.00 million	(i) as to not less than HK\$11.20 million for the capital injection into Heng He as its general working capital to facilitate the expansion of the financial leasing business, by increasing the budget of funding amounts to the lessees and exploring other regions in the PRC; and (ii) the remaining for the strengthening of the general working capital base of the Company to finance its business development and/or to finance any future investment opportunities or any future needs in repaying its outstanding debt	Approximately HK\$12.00 million has been used for the capital injections into Heng He, the remaining has been utilized as intended
8 June 2016	Placing of up to 270,000,000 new Shares at HK\$0.092 per Share under general mandate	HK\$23.90 million	(i) as to not less than HK\$19.14 million for the capital injection into Heng He as its general working capital to facilitate the expansion of the financial leasing business, by increasing the budget of funding amounts to the lessees and exploring other regions in the PRC; and (ii) the remaining for the strengthening of the general working capital base of the Company to finance its business development and/or to finance any future investment opportunities or any future needs in repaying its outstanding debt	Approximately HK\$20.00 million has been used for the capital injection into Heng He. The remaining is deposited in bank and will be applied as intended

LETTER FROM THE BOARD

INFORMATION ON THE GROUP

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

PROPOSED REFRESHMENT OF CURRENT GENERAL MANDATE

Background

At the 2016 AGM, the Shareholders approved, among others, an ordinary resolution for granting the Directors to allot and issue a maximum of 270,018,830 Shares, representing 20% of the issued share capital of the Company as at the date of the 2016 AGM.

Utilisation of the Current General Mandate

As disclosed in the section headed “Fund Raising Activity in the Past Twelve Months” above, on 8 June 2016 (after trading hours), a placing agreement was entered into between the Company and a placing agent, pursuant to which the placing agent has agreed to place, on a best endeavour basis, up to 270,000,000 Shares under the Current General Mandate. After the completion of the Placing in full as announced by the Company on 24 June 2016, the Current General Mandate had been utilised as to approximately 99.99%. As at the Latest Practicable Date, the Company may issue up to only 18,830 Shares under the Current General Mandate should no refreshment of the Current General Mandate be sought before the next annual general meeting of the Company which is expected to be held only in around June 2017. The Company has not refreshed the Current General Mandate since the 2016 AGM and up to the Latest Practicable Date.

The Company will convene the EGM at which an ordinary resolution will be proposed to the Independent Shareholders that the Directors will be granted a new general mandate to allot and issue Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the relevant ordinary resolution at the EGM.

Reasons for the proposed refreshment of the Current General Mandate

The Board would like to provide flexibility for the Company to raise funds through equity financing. Given that equity financing (i) does not incur any interest expenses on the Group as compared with bank financing; (ii) is less costly and time-consuming than raising funds by way of rights issue or open offer; and (iii) provides the Company with the capability to capture any capital raising and/or prospective investment opportunity as and when it arises, the Board proposes the Refreshed General Mandate shall be granted to the Directors.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company had no present plans to further conduct any fund raising activities for its existing business operations for the next twelve months. The Company also had no immediate plan to utilise the Refreshed General Mandate, if granted, to allot and issue Shares. However, the Company may need to raise fund and the Directors may utilise the Refreshed General Mandate if:

- (i) any new investment/acquisitions/business opportunities in the trading/information technology/money lending business of the Company arise that cannot be met with the Group's internal cash resources;
- (ii) there is any redemption of the convertible bonds and/or the promissory notes of the Company;
- (iii) other new investments/acquisitions opportunities arise that cannot be met with the Group's internal cash resources; and/or
- (iv) the Company is in need of funds for its operations in future.

The Company will make further announcement in this regard accordance with the GEM Listing Rules as and when appropriate.

In view of the above and given that the Current General Mandate has nearly been utilised in full, it is proposed that the Board shall seek approval of the Independent Shareholders for the grant of the Refreshed General Mandate at the EGM. The Directors consider that the refreshment of the Current General Mandate will enable the Company to respond to the market and the investment opportunities promptly, should opportunities arise, and provide the Directors with flexibility for any future allotment and issue of Shares on behalf of the Company as and when necessary, the Directors are therefore of the view that the proposed refreshment of the Current General Mandate is fair and reasonable, beneficial to and in the interest of the Company and its Shareholders as a whole.

As at the Latest Practicable Date, a total of 1,620,094,152 Shares were in issue. Subject to the passing of the proposed resolution for the refreshment of the Current General Mandate and on the basis that no Share will be issued or repurchased by the Company prior to the EGM, the Directors will be authorised under the Refreshed General Mandate to issue a maximum of 324,018,830 new Shares.

The Refreshed General Mandate will, if granted, remain effective until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which next annual general meeting of the Company is required to be held by any applicable law of the Cayman Islands or the Memorandum and Articles of Association of the Company; and
- (iii) its revocation or variation by ordinary resolution of the Shareholders in general meeting.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

The shareholding structure of the Company as at the Latest Practicable Date and the effects on the shareholding structure of the Company (assuming there being no other issue or repurchase of Shares):

- (i) immediately after the full conversion of the outstanding Convertible Bonds at the Conversion Price;
- (ii) assuming upon full utilisation of the Refreshed General Mandate but no conversion of any of the outstanding Convertible Bonds; and
- (iii) immediately after the full conversion of the outstanding Convertible Bonds at the Conversion Price and assuming full utilisation of the Refreshed General Mandate.

are as follows:

	As at the Latest Practicable Date		Immediately after the full conversion of the outstanding Convertible Bonds at the Conversion Price without any utilisation of the Refreshed General Mandate (Note 3)		Immediately after the full conversion of the outstanding Convertible Bonds at the Conversion Price and the 2018 Convertible Bonds in the principal amount of HK\$40,000,000 without any utilisation of the Refreshed General Mandate		Assuming full utilisation of the Refreshed General Mandate but no conversion of any of the outstanding Convertible Bonds or the 2018 Convertible Bonds		Immediately after the full conversion of the outstanding Convertible Bonds at the Conversion Price, the 2018 Convertible Bonds and full utilisation of the Refreshed General Mandate (Note 3)	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %
Shareholders										
Cheung Wai Yin, Wilson (Note 1)	98,995,314	6.11	1,256,890,050	42.95	1,256,890,050	40.55	98,995,314	5.09	1,256,890,050	36.71
Lau Chi Yan, Pierre (Note 2)	3,984,375	0.25	3,984,375	0.14	3,984,375	0.13	3,984,375	0.20	3,984,375	0.12
Total non-public Shareholders	102,979,689	6.36	1,260,874,425	43.09	1,260,874,425	40.68	102,979,689	5.29	1,260,874,425	36.83
Bondholders (other than Ivana)	-	0.00	148,084,211	5.06	148,084,211	4.77	-	0.00	148,084,211	4.32
Bondholder of the 2018 Convertible Bonds	-	0.00	-	0.00	173,913,043	5.61	-	0.00	173,913,043	5.08
Other public Shareholders	1,517,114,463	93.64	1,517,114,463	51.85	1,517,114,463	48.94	1,841,133,293	94.71	1,841,133,293	53.77
Total	1,620,094,152	100.00	2,926,073,099	100.00	3,099,986,142	100.00	1,944,112,982	100.00	3,424,004,972	100.00

Notes:

1. The interests disclosed include 98,437,500 Shares 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 Asiastrust Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder of which is Mr. Cheung and the discretionary objects of which are family members of Mr. Cheung (including Mr. Cheung himself). Mr. Cheung is also personally interested in 557,814 Shares.
2. Mr. Lau Chi Yan, Pierre is the Managing Director of the Company.
3. There is no right for any Bondholder(s) to convert any principal amount of the Convertible Bonds held by the Bondholder(s) and the Company shall not issue any Conversion Shares thereof if, upon such conversion and issue of the Conversion Shares, the Company will not be able to comply with the minimum public float requirement as stipulated under Rule 11.23 of the GEM Listing Rules.

LETTER FROM THE BOARD

4. The maximum number of new Shares to be issued under the Refreshed General Mandate is subject to the actual number of Shares in issue on the date of which the relevant resolutions is approved, and this shareholding structure is for illustration only.

GEM LISTING RULES IMPLICATIONS

Pursuant to Rule 22.03 of the GEM Listing Rules, any alterations in the terms of convertible equity securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible equity securities.

As at the Latest Practicable Date, Mr. Cheung and Ivana together hold 98,995,314 Shares representing approximately 6.11% of the issued share capital of the Company. As Ivana is a company controlled and owned by a trust founded by Mr. Cheung, Ivana is a connected person of the Company under the GEM Listing Rules. The Proposed Terms to be effected by the Third Supplemental Deed between the Company and Ivana constitute a connected transaction of the Company. Therefore, the Proposed Terms are subject to reporting and announcement requirements, as well as approval by the Independent Shareholders at the EGM under the GEM Listing Rules. Mr. Cheung and Ivana together with their respective associates holding a total of 98,995,314 Shares as at the Latest Practicable Date will abstain from voting in respect of the resolution(s) approving the Proposed Terms at the EGM. The grant of the Specific Mandate for the allotment and issue of the Conversion Shares will also be subject to approval by the Independent Shareholders at the EGM. Mr. Cheung has also abstained from voting on the Board meeting approving the Third Supplemental Deed and the Proposed Terms.

Application has been made to the Stock Exchange for its approval of: (i) the Proposed Term; and (ii) the listing of, and permission to deal in, the Conversion Shares arising from the conversion of the outstanding Convertible Bonds. As at the Latest Practicable Date, approval has been given by the Stock Exchange for: (i) the amendments under the Proposed Terms; and (ii) the listing of, and permission to deal in, the Conversion Shares upon exercise of the conversion rights attached to the Convertible Bonds under the Third Supplemental Deed, subject to the Independent Shareholders' approval at the EGM and fulfilment of all other conditions under the Third Supplemental Deed.

As Company is seeking a refreshment of the Current General Mandate before the next annual general meeting of the Company, this proposal is subject to approval by the Independent Shareholders at the EGM. According to Rule 17.42A of the GEM Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution approving the grant of the Refreshed General Mandate at the EGM. As such Mr. Cheung, Ivana and Mr. Lau Chi Yan, Pierre together with their respective associates holding a total of 102,979,689 Shares as at the Latest Practicable Date will abstain from voting in favour of approving the grant of the Refreshed General Mandate at the EGM.

The Independent Board Committee, comprising Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth, all being independent non-executive Directors has been established to advise the Independent Shareholders on (i) the Third Supplemental Deed and the transactions contemplated thereunder including the granting of the Specific Mandate and (ii) the proposed refreshment of the Current General Mandate.

LETTER FROM THE BOARD

EGM

The notice convening the EGM is set out on pages 51 to 54 of this circular. The EGM will be convened on Tuesday, 7 March 2017 at 11:00 a.m. at Jasmine Room, 3/F., Best Western Plus Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong for the purpose of, considering and, if thought fit, approving (i) the Third Supplemental Deed and the transactions contemplated thereunder and the Specific Mandate; and (ii) the refreshment of the Current General Mandate.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar, 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 time appointed for the holding of the EGM. Completion and return of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

In compliance with the GEM Listing Rules, the votes to be taken at the EGM in respect of the Third Supplemental Deed and the transactions contemplated thereunder and the Specific Mandate and the refreshment of the Current General Mandate will be taken by poll.

RECOMMENDATION

The Board (excluding Mr. Cheung but including the independent non-executive Directors who have given their view in the Letter from the Independent Board Committee after having taken into account the advice of the Independent Financial Adviser) considers that (i) the terms of the Third Supplemental Deed are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Proposed Terms; and (iii) the grant of the Refreshed General Mandate are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed in the EGM to approve: (i) the Third Supplemental Deed and the transactions contemplated thereunder including the Proposed Terms and the granting of the Specific Mandate; and (ii) the granting of the Refreshed General Mandate.

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 25 to 26 of this circular which contains recommendations of the Independent Board Committee to the Independent Shareholders regarding (a) the Third Supplemental Deed and the transactions contemplated thereunder including the Proposed Terms and the Specific Mandate; and (b) the refreshment of the Current General Mandate and (ii) the letter from the Independent Financial Adviser set out on pages 27 to 45 of this circular which contains its advices to the Independent Board Committee and the Independent Shareholders regarding (a) the Third Supplemental Deed and the transactions contemplated thereunder including the Proposed Terms and the Specific Mandate; and (b) the refreshment of the Current General Mandate and the principal factors and reasons considered by the Independent Financial Adviser in arriving at its opinions.

LETTER FROM THE BOARD

Additional information is also set out in the Appendix of this circular for your information.

If any of the conditions precedent to the completion under the Third Supplemental Deed are not satisfied, the Third Supplemental Deed will lapse and will not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or any other securities of the Company.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

20 February 2017

To the Independent Shareholders

Dear Sir or Madam

**(I) CONNECTED TRANSACTION:
AMENDMENTS TO THE TERMS AND CONDITIONS
OF THE CONVERTIBLE BONDS,
(II) PROPOSED REFRESHMENT OF CURRENT GENERAL MANDATE**

We refer to the circular dated 20 February 2017 issued by the Company (the “**Circular**”) of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as the members of the Independent Board Committee to consider the Third Supplemental Deed and the transactions contemplated thereunder including the Proposed Terms and the Specific Mandate and the proposed refreshment of the Current General Mandate, and to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Third Supplemental Deed and the Refreshed General Mandate. Goldin Financial Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, as set out on pages 27 to 45 of the Circular, which contains its advices in respect of the Third Supplemental Deed and transactions contemplated thereunder including the Proposed Terms and the Specific Mandate and the proposed refreshment of the Current General Mandate, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration in giving such advice. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

** for identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having considered the terms of the Third Supplemental Deed and the transactions contemplated thereunder, and the Refreshed General Mandate and taking account of the independent advice of the Independent Financial Adviser and the relevant information contained in the letter from the Board, we are of the opinion that (i) the terms of the Third Supplemental Deed including the Proposed Terms and the granting of the Specific Mandate; and (ii) the refreshment of the Current General Mandate, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM to approve (i) the Third Supplemental Deed and the transactions contemplated thereunder including the Proposed Terms and the granting of the Specific Mandate; and (ii) the refreshment of the Current General Mandate.

Yours faithfully
For and on behalf of
Independent Board Committee

Mr. Ng Kay Kwok
*Independent non-executive
Director*

Ms. Yeung Mo Sheung Ann
*Independent non-executive
Director*

Mr. Yip Kat Kong, Kenneth
*Independent non-executive
Director*

** for identification purpose only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee and Independent Shareholders in respect of the Third Supplemental Deed including the Proposed Terms and the granting of the Specific Mandate and the proposed refreshment of the Current General Mandate prepared for the purpose of incorporation in this circular.



GOLDIN FINANCIAL LIMITED
高銀融資有限公司

Goldin Financial Limited
Suites 2202-2209, 22/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

20 February 2017

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

**(I) CONNECTED TRANSACTION:
AMENDMENTS TO THE TERMS AND CONDITIONS
OF THE CONVERTIBLE BONDS; AND
(II) PROPOSED REFRESHMENT OF CURRENT GENERAL MANDATE**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Third Supplemental Deed and the transactions contemplated thereunder including the Proposed Terms and the granting of the Specific Mandate, details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular of the Company dated 20 February 2017 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 20 January 2017 (after trading hours), the Company and the Bondholders entered into the Third Supplemental Deed to amend certain terms and conditions of the Convertible Bonds. Apart from the Proposed Terms, all other terms of the Convertible Bonds remain unchanged.

Pursuant to Rule 22.03 of the GEM Listing Rules, any alterations in the terms of convertible equity securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible equity securities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Mr. Cheung and Ivana together hold 98,995,314 Shares representing approximately 6.11% of the issued share capital of the Company. As Ivana is a company controlled and owned by a trust founded by Mr. Cheung, Ivana is a connected person of the Company under the GEM Listing Rules. The Proposed Terms to be effected by the Third Supplemental Deed between the Company and Ivana constitute a connected transaction of the Company. Therefore, the Proposed Terms are subject to reporting and announcement requirements, as well as approval by the Independent Shareholders at the EGM under the GEM Listing Rules. Mr. Cheung and Ivana together with their respective associates holding a total of 98,995,314 Shares as at the Latest Practicable Date will abstain from voting in respect of the resolution(s) approving the Proposed Terms at the EGM. The grant of the Specific Mandate for the allotment and issue of the Conversion Shares will also be subject to approval by the Independent Shareholders at the EGM. Mr. Cheung has also abstained from voting on the board meeting approving the Third Supplemental Deed and the Proposed Terms.

The Board proposes to refresh the Current General Mandate for the Directors to allot and issue Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the relevant ordinary resolution at the EGM. As the Company is seeking a refreshment of the Current General Mandate before the next annual general meeting of the Company, this proposal is subject to approval by the Independent Shareholders at the EGM. According to Rule 17.42A of the GEM Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution approving the grant of the Refreshed General Mandate at the EGM. As such Mr. Cheung, Ivana and Mr. Lau Chi Yan, Pierre together with their respective associates holding a total of 102,979,689 Shares as at the Latest Practicable Date will abstain from voting in favour of approving the grant of the Refreshed General Mandate at the EGM. Pursuant to Rule 17.42A of the GEM Listing Rules, the refreshment of the Current General Mandate requires the approval of the Independent Shareholders at the EGM taken on a vote by way of poll at which any controlling shareholders and their associates, or where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates, shall abstain from voting in favour of the relevant resolution to approve the refreshment of the Current General Mandate.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth, all being independent non-executive Directors, has been established to advise the Independent Shareholders on (i) the Third Supplemental Deed and the transactions contemplated thereunder including the Proposed Terms and the granting of the Specific Mandate; and (ii) the proposed refreshment of the Current General Mandate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We, Goldin Financial Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the transaction contemplated under the Third Supplemental Deed including the Proposed Terms and the granting of the Specific Mandate; and (ii) the refreshment of the Current General Mandate, and to make recommendations as to, among others, whether the terms of the Third Supplemental Deed and the refreshment of the Current General Mandate are fair and reasonable and as to voting in respect of the relevant resolutions at the EGM. Our appointment has been approved by the Independent Board Committee.

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. In the past two years, we have been appointed as the independent financial adviser to the then independent board committee and the then independent shareholders of the Company, details of such appointment were set out in the circular of the Company dated 15 September 2015. Apart from normal professional fees for our services to the Company in connection with the engagement described above, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. We are independent under Rule 17.96 of the GEM Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with (i) the transaction contemplated under the Third Supplemental Deed including the Proposed Terms and the granting of the Specific Mandate; and (ii) the refreshment of the Current General Mandate.

BASIS OF OUR ADVICE

In arriving our opinions and recommendations, we have reviewed, inter alia, the Third Supplemental Deed, the annual report of the Company for the year ended 31 December 2015, the interim report of the Company for the six months ended 30 June 2016 (the “**Interim Report 2016**”) and the third quarterly report of the Company for the nine months ended 30 September 2016 (the “**3Q Report 2016**”). We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Directors and the management of the Company for which they are solely and wholly responsible, were true, accurate and complete as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We consider that we have been provided with, and that we have reviewed, all currently available information and documents under recent circumstances to enable us to reach an informed view and to provide a reasonable basis for our opinion. We have no reason to suspect that any material facts or information have/has been withheld by the Directors or management of the Company, are/is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses, affairs or future prospects of the Company. Our opinion was necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Third Supplemental Deed and the refreshment of the Current General Mandate, we have taken into account the following principal factors and reasons:

A. THIRD SUPPLEMENTAL DEED RELATING TO THE CONVERTIBLE BONDS

1. Background of and reasons for entering into the Third Supplemental Deed

References are made to the announcements of the Company dated 23 October 2007, 30 May 2011, 4 July 2011, 9 July 2014, 19 September 2014 and 20 January 2017, and the circulars (the “**Circulars**”) of the Company dated 30 May 2008, 15 June 2011 and 2 September 2014 in relation to the issue of, and the subsequent amendments made to, the Convertible Bonds convertible into Shares at the then initial conversion price of HK\$0.10 per Conversion Share (subject to adjustment as provided in the terms and conditions of the Convertible Bonds) as part of the consideration for the acquisition of forest concessions in Papua, Indonesia on 12 August 2008. The Convertible Bonds are unsecured, interest-free and were originally mature on 12 August 2011. Unless the Convertible Bonds are converted into the Shares, the outstanding principal amount of the Convertible Bonds would be redeemed in full on maturity.

By the two supplemental deeds dated 30 May 2011 and 9 July 2014, among other changes on the terms of the Convertible Bonds, the maturity date of the Convertible Bonds and its conversion period have been extended to 12 August 2017.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the 3Q Report 2016, we noted that the unaudited current assets of the Group as at 30 September 2016 amounted to approximately HK\$141.81 million, which comprise, among others, bank balances and cash of approximately HK\$83.05 million and prepayment, deposits and other receivables of approximately HK\$32.97 million. The unaudited current liabilities of the Group as at 30 September 2016 amounted to approximately HK\$80.73 million which comprise, among others, other payables and accruals of approximately HK\$63.76 million. Accordingly, the unaudited net current assets of the Group amounted to approximately HK\$119.24 million as at 30 September 2016.

As at the Latest Practicable Date, the aggregate outstanding principal amount of the Convertible Bonds is HK\$124,068,000, which is legally and beneficially owned by three Bondholders, convertible into Shares at the conversion price of HK\$0.3696 per Share. As advised by the management of the Company, the Proposed Terms under the Third Supplemental Deed would effectively allow the Group to refinance the debts under the Convertible Bonds under substantially the same financial terms during the extended term of the Convertible Bonds with an extended maturity date on 12 August 2020. We consider such extension of the Convertible Bonds for a further three years would delay the payment obligation of the Company for redemption of the Convertible Bonds on the original maturity date, being 12 August 2017 which is within the current financial year. It is also a pragmatic approach for the Company to conserve its internal resources for the development and expansion of the Group's ongoing business operations and to capture potential investment opportunities as and when they arise.

We noticed that the existing conversion price of the Convertible Bonds, being HK\$0.3696 per Conversion Share, represents a significant premium of approximately 289.05% over the closing price per Share of HK\$0.095 on the date of the Third Supplemental Deed. By revising the conversion price of the Convertible Bonds from HK\$0.3696 per Conversion Share to HK\$0.095 per Conversion Share and bringing the conversion price of the Convertible Bonds would be closer to the current market price of the Shares. As at the Latest Practicable Date, Mr. Cheung and the other Bondholders have no intention to exercise the conversion rights under the Convertible Bonds after the Third Supplemental Deed becomes effective. Nevertheless, given that the Conversion Price of HK\$0.095 per Conversion Share (i) is equivalent to the closing price per Share on the date of the Third Supplemental Deed; and (ii) represents a discount to the closing price of the Share on the Latest Practicable Date, which is below the price of the Shares currently traded in the open market, it is expected that the Bondholders would be incentivised to exercise their conversion rights attached to the Convertible Bonds to convert their Convertible Bonds into Shares before the maturity date. We consider that it is fair and reasonable for the Company to revise the conversion price of the Convertible Bonds to be in line with the prevailing market price of the Shares with reference to the prevailing Share price performance and market conditions such that the financial pressure exerted on the Company for redemption at maturity would be relieved.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon discussion with management of the Company, we were given to understand that the Company has considered various alternatives for financing the Convertible Bonds apart from the extension of the Convertible Bonds under the Proposed Terms, including but not limited to debt financing and equity financing. In respect of debt financing such as bank borrowings, substantial interest expenses would be incurred to the Group and lengthy due diligence with the relevant banks on the financial healthiness of the Group would be required. The Company considers that pre-emptive issues such as rights issue and open offer would incur undue administrative workload and additional charges such as underwriting commission and would be more time consuming to conduct taking into account the negotiation process with potential underwriters. In view of that (i) bank borrowings would incur significant interest burden to the Group as compared to the Convertible Bonds which carries zero coupon rate; (ii) pre-emptive issues generally require a longer time to complete; and (iii) placing of Shares would result in immediate dilution to the shareholdings of the existing Shareholders, the Company considers these alternatives may not be suitable means and therefore has not approached any firms regarding the possibility of bank financing and/or acting as underwriter/placing agent of the Company for fund raising to finance the Convertible Bonds at redemption.

Based on the above, we concur with the Company's view that the extension of the Convertible Bonds under the Proposed Terms is an appropriate means to refinance the debts under the Convertible Bonds.

Further, if the Third Supplemental Deed fails to become effective, the Convertible Bonds will have to be redeemed in cash at the original maturity date on 12 August 2017. Accordingly, there will be a net cash outflow of approximately HK\$124,068,000. Given the cash position of the Group as at 31 December 2016 of approximately HK\$63,300,000, the Company would have to arrange for alternative funding options to fully redeem all outstanding Convertible Bonds in cash upon its maturity in order to ensure that the Group will have sufficient cash balance on hand to carry out its business of financial services and money lending which the Company is required to maintain a minimum capital level in order to comply with the applicable financial resources requirement. The unaudited net current assets of the Group as at 31 December 2016 was HK\$125,918,890.

Having considered that (i) the Third Supplemental Deed would delay the payment obligation of the Company to redeem the Convertible Bonds upon the original maturity date; (ii) the extension of the maturity of the Convertible Bonds would provide extra time for the Group to better plan and allocate its overall financial resources to its ongoing business operations; (iii) the revision of conversion price with reference to the prevailing price of the Shares would incentivise the Bondholders to convert their Convertible Bonds into Shares before maturity; (iv) the extension of the maturity of the Convertible Bonds is the most desirable and feasible means among other financing alternatives considered by the Company for the Group to alleviate the cash redemption pressure at maturity of the Convertible Bonds; and (v) the redemption in cash at the original maturity of the Convertible Bonds would result in a significant cash outlay of the Group which may affect the ongoing operations of the Group's financial services and money lending business, we are of the view that the transactions contemplated under the Third Supplemental Deed including the Proposed Terms and the granting of the Specific Mandate are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Major terms of the Third Supplemental Deed

Pursuant to the initial subscription agreement in respect of the Convertible Bonds, the initial conversion price per conversion share was HK\$0.10 (the “**Initial Conversion Price**”), which was adjusted to HK\$4.00 per conversion share as a result of the share consolidation of 40 shares into 1 share effective on 26 March 2013. Pursuant to the second supplemental deed dated 9 July 2014 (the “**2nd Supplemental Deed**”) entered into between the Company and the Bondholders, the conversion price of the Convertible Bonds of HK\$4.00 per conversion share was revised to HK\$0.0462 (the “**2nd Deed Conversion Price**”). Subsequently, the 2nd Deed Conversion Price was adjusted to the conversion price of HK\$0.3696 per conversion share as a result of the share consolidation of 8 shares into 1 share effective on 29 September 2014.

The Initial Conversion Price of HK\$0.10 represents:

- (i) a discount of approximately 64.29% to the closing price of HK\$0.28 per share as quoted on the Stock Exchange on 4 October 2007, being the date of the initial subscription agreement in respect of the subscription of the Convertible Bonds;
- (ii) a discount of approximately 45.05% to the average closing price of HK\$0.182 per share for the five consecutive trading days up to and including 4 October 2007;
- (iii) a discount of approximately 19.36% to the closing price of HK\$0.124 per share as quoted on the Stock Exchange on 30 May 2011, being the date of the first supplemental deed in respect of the Convertible Bonds (the “**1st Supplemental Deed**”); and
- (iv) a discount of approximately 19.61% to the average closing price per share for the five consecutive trading days up to and including 30 May 2011.

The 2nd Deed Conversion Price of HK\$0.0462 represents:

- (i) a premium of approximately 2.67% over the closing price of HK\$0.045 per share as quoted on the Stock Exchange on 9 July 2014, being the date of the 2nd Supplemental Deed; and
- (ii) the average of the closing price of HK\$0.0462 per share for the five consecutive trading days immediately preceding 9 July 2014.

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On 20 January 2017 (after trading hours), the Company and the Bondholders, namely, Ivana, Mr. Jin and Mr. Shang, entered into the Third Supplemental Deed to: (a) extend the maturity date of the Convertible Bonds for a further three years to 12 August 2020; (b) revise the conversion price of the Convertible Bonds from HK\$0.3696 per Share to HK\$0.095 per Share; and (c) revise the adjustment events to the Conversion Price to include the following events:

- issue of Shares for subscription by way of rights, or a grant of options or warrants to subscribe for Shares, at a price which is less than 80% of the market price per Share to the Shareholders;
- issue wholly for cash of securities convertible into or exchangeable for or carrying rights of subscription for Shares, if in any case the total effective consideration per Share receivable is less than 80% of the market price, or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration receivable is less than 80% of such market price; and
- issue of Shares being made wholly for cash at a price less than 80% of the market price per Share.

Details of the Proposed Terms are set out in the Letter from the Board. Apart from the Proposed Terms, all other terms of the Convertible Bonds shall remain unchanged.

If the outstanding Convertible Bonds are fully converted at the Conversion Price of HK\$0.095 per Conversion Share, a maximum of 1,305,978,947 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the outstanding Convertible Bonds in full, which represents: (i) approximately 80.61% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 44.63% of the issued share capital of the Company as to be enlarged by the issue of the 1,305,978,947 Conversion Shares (assuming there being no other issue or repurchase of Shares). According to the existing terms of the Convertible Bonds, a Bondholder shall have the right to convert the Convertible Bonds into Shares provided that the public float of the Shares shall not be less than the minimum public float requirement as required by the GEM Listing Rules.

Upon the Third Supplemental Deed taking effect, the Conversion Price would be HK\$0.095 per Conversion Share, subject to adjustments. The Conversion Price was determined by reference to the recent trading performance and trading volume of the Shares on the Stock Exchange.

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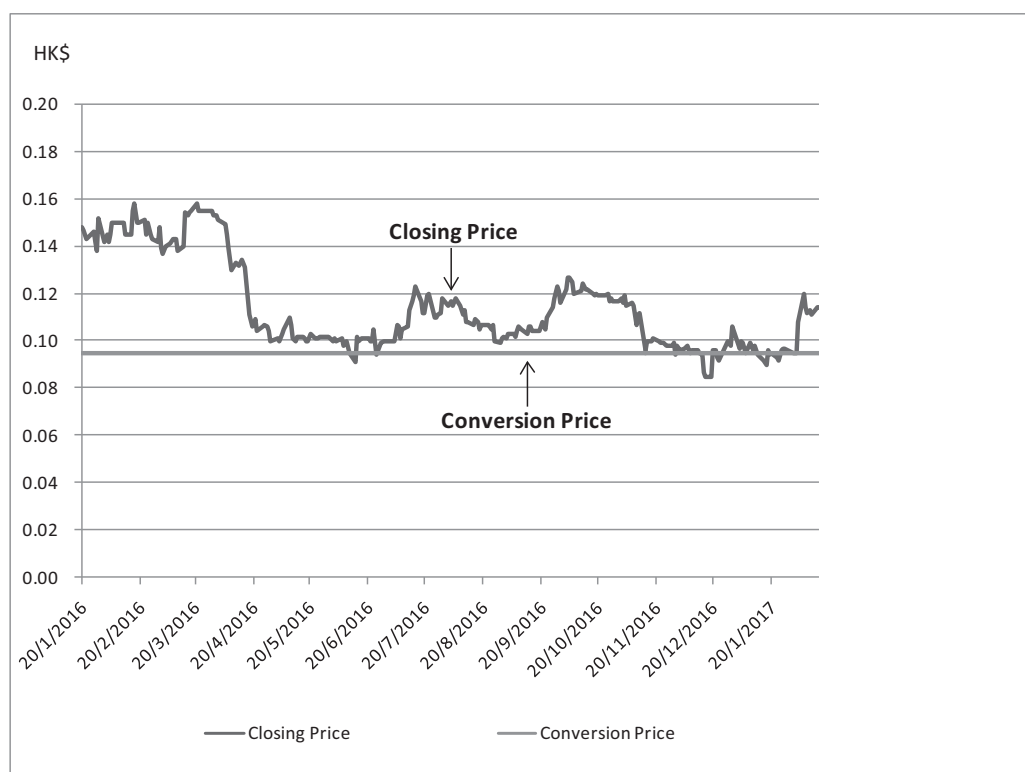
The Conversion Price of HK\$0.095 represents:

- (i) the closing price per Share as quoted on the Stock Exchange of HK\$0.095 on 20 January 2017, being the date of the Third Supplemental Deed;
- (ii) a premium of approximately 1.93% over the average of the closing prices of HK\$0.0932 per Share for the last five trading days immediately preceding 20 January 2017; and
- (iii) a discount of approximately 16.67% to the closing price per Share as quoted on the Stock Exchange of HK\$0.114 on the Latest Practicable Date.

Share price performance

Chart 1 below demonstrates the daily closing price of the Shares against the Conversion Price for the period commencing from 20 January 2016 (being the 12-month period prior to the entering into of the Third Supplemental Deed) up to the Latest Practicable Date (the “**Review Period**”).

Chart 1: Share price performance against the Conversion Price during the Review Period



Source: The website of the Stock Exchange (www.hkex.com.hk)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As observed from Chart 1, the Conversion Price was close to the lower end of the range of the historical Share price during the Review Period. We also noted that the closing Share prices were traded within the range of HK\$0.085 to HK\$0.158 during the Review Period with an average closing Share price of HK\$0.114. The Conversion Price represents (i) a discount of approximately 39.87% to the aforesaid highest closing price of the Shares; (ii) a premium of approximately 11.76% over the aforesaid lowest closing price of the Shares; and (iii) a discount of approximately 16.67% to the aforesaid average closing price of the Shares, during the Review Period.

It is noted that the Initial Conversion Price represents a much significant discount to the closing price of shares on the date of the initial subscription agreement as compared to that as represented by the Conversion Price to the closing price of the Share on the date of the Third Supplemental Deed. However, the circumstance of entering into the initial subscription agreement which was entered as part of the consideration for an acquisition of the Company in 2008 is different from that of the Third Supplemental Deed, being that the Convertible Bonds are approaching their maturity date and the Company has to maintain sufficient cash balance upon redemption of the Convertible Bonds in the absence of any extension of the maturity of the Convertible Bonds, and therefore we do not consider the comparison between the conversion prices of the initial subscription agreement and the Third Supplemental Deed would serve a fair reference. Instead, we have compared the conversion prices of the 1st Supplemental Deed and 2nd Supplemental Deed with similar circumstances as that of the Third Supplement Deed. Considering that (i) the conversion price under the 2nd Supplemental Deed and the Conversion Price under the Third Supplemental Deed both represented slight discounts or are equivalent to the then prevailing market prices respectively; (ii) the Initial Conversion Price represents a much smaller discount to the closing price of the share on the date of the 1st Supplemental Deed as compared to the date of the initial subscription agreement of the Convertible Bonds; (iii) the terms of the 1st Supplemental Deed and the 2nd Supplemental Deed have been approved by the then independent shareholders of the Company; and (iv) the Conversion Price falls within the range of the closing price of the Shares during the Review Period, we are of the view that the Conversion Price under the Third Supplemental Deed is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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Historical trading volume of the Shares

Set out in Table 1 below is the average daily trading volume of the Shares per month, and the respective percentage of the Shares' average monthly trading volume as compared to the total number of issued Shares at the end of the respective month, during the Review Period:

Table 1: Trading volume of the Shares

Month	Total no. of Shares trading volume	No. of trading days	Average daily trading volume <i>Approximate</i>	Total no. of outstanding Shares	Average daily trading volume over outstanding Shares <i>Approximate %</i>
2016					
January <i>(Starting from 20 January 2016)</i>	57,805,200	8	7,225,650	1,225,094,152	0.59
February	24,342,040	18	1,352,336	1,225,094,152	0.11
March	74,390,646	21	3,542,412	1,225,094,152	0.29
April	288,652,112	20	14,432,606	1,350,094,152	1.07
May	88,505,125	21	4,214,530	1,350,094,152	0.31
June	90,279,041	21	4,299,002	1,620,094,152	0.27
July	62,684,466	20	3,134,223	1,620,094,152	0.19
August	115,424,227	22	5,246,556	1,620,094,152	0.32
September	180,755,401	21	8,607,400	1,620,094,152	0.53
October	152,032,004	19	8,001,684	1,620,094,152	0.49
November	101,434,311	22	4,610,651	1,620,094,152	0.28
December	42,347,746	20	2,117,387	1,620,094,152	0.13
2017					
January	16,219,625	19	853,664	1,620,094,152	0.05
February <i>(Up to the Latest Practicable Date)</i>	89,613,178	9	9,957,020	1,620,094,152	0.61

Source: The website of the Stock Exchange (www.hkexnews.com.hk)

As illustrated in Table 1, we noted that the average daily trading volume of the Shares per month accounted for only a small portion of the total number of Shares issued at the end of the respective month throughout the Review Period, which ranges from approximately 0.05% to approximately 1.07%. The trading volume of the Shares during the Review Period was relatively thin, indicating a generally low liquidity and high price volatility of the Shares. Given such thin liquidity of the Shares, we consider that it may be difficult for the Company to pursue other financing alternatives available in the market such as placing of new Shares in order to raise funds.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparable analysis

In order to assess the fairness and reasonableness of the Proposed Terms, we have attempted to review companies listed on the Stock Exchange that have entered into respective supplemental deeds or amendment agreements to amend certain terms of the convertible bonds. Since the primary reason that the Company entered into the Third Supplemental Deed was mainly due to the approach of maturity date of the Convertible Bonds, we have therefore selected companies that have announced, within the past three months immediately preceding the date of the Third Supplemental Deed, for amendments on the terms and conditions of convertible bonds with respective maturity date falling within one year from the issue dates of such announcements. We consider a three-month period prior to the date of the Third Supplemental Deed represents a reasonable and meaningful time period to capture the recent market practice and provide a general reference for the issue of convertible bonds for fund raising purposes and we consider any further back in time will run the risk of no longer being indicative of the current market conditions. We have, to our best effort and so far as we are aware, identified an exhaustive list of 4 comparables (the “**Comparables**”), which are considered to face similar market conditions and sentiments as that of entering into of the Third Supplemental Deed in respect of the Convertible Bonds. Independent Shareholders should note that the Comparables are for the purpose of providing a general insight for the recent common market practice of listed companies in Hong Kong in relation to the issuance of convertible bonds under similar market conditions as that of the Convertible Bonds. Details of the Comparables are set out in Table 2 below.

Table 2: Summary of the Comparables

Date of announcement	Company name	Stock code	(Adjusted) conversion price premium over/ (discount to) the closing price on the last trading day prior to the date of agreement/date of amendment agreement	Term to maturity
			<i>Approximate %</i>	<i>Number of years (Note)</i>
18/1/2017	China Vanguard Group Limited	8156	(11.36)	0.50
16/1/2017	Green International Holdings Limited	2700	(19.68)	0.25
14/12/2016	China XLX Fertiliser Limited	1866	(12.66)	2.00
28/11/2016	China Fortune Financial Group Limited	290	(60.61)	1.00
20/1/2017	The Company	8163	0.00	3.00
		Average	(26.08)	0.94
		Maximum	(11.36)	2.00
		Minimum	(60.61)	0.25

Source: The website of the Stock Exchange (www.hkex.com.hk)

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Note:

For some Comparables, the maturity of the convertible bonds is/are not extended under the respective amendment agreements and as such, the original term of maturity is used for analysis purpose.

As shown in Table 2 above, the conversion price (or adjusted conversion price pursuant to the respective amendment agreements) per share issued under the Comparables to the respective closing share price on the last trading day or the date of the respective amendment agreement ranges from the discount of approximately 60.61% to approximately 11.36%, with an average discount of approximately 26.08%. The Conversion Price of HK\$0.095 which is equivalent to the closing Share price on the date of the Third Supplemental Deed represents a smaller discount as compared to the average discount of the Comparables. It is also noted that the term to maturity of the Comparables vary from 0.25 year to 2 years and we consider the extended maturity of three years under the Proposed Terms is generally in line with market practice.

Further, we have reviewed the additional adjustment events of the Convertible Bonds which form part of the Proposed Terms and compare against the provisions for adjustment of the Comparables. It is noticed that 3 out of the 4 Comparables have included provisions for adjustment events that are similar to the new provisions for adjustment events under the Third Supplemental Deed according to their respective relevant announcements. As noticed from the respective convertible bonds issued by the aforesaid 3 Comparables, the conversion prices of which will be adjusted when there is (i) issue of shares for subscription by way of rights, or a grant of options or warrants to subscribe for shares at a price which is less than 80% or 90% of the market price per share to the shareholders; (ii) issue wholly for cash of securities convertible into or exchangeable for or carrying rights of subscription for shares, if in any case the total effective consideration per share receivable is less than 80% or 90% of the market price, or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration receivable is less than 80% or 90% of such market price; or (iii) issue of shares being made wholly for cash at a price less than 80% or 90% of the market price per share. We consider the new provisions for adjustment events (including the respective adjustment mechanism) under the Third Supplemental Deed are standard terms in line with the market practice of issuance of convertible bonds by listed companies in Hong Kong.

As further advised by management of the Company, the Company will closely monitor the Share prices from time to time and will take appropriate corporate actions such as share consolidation or change in board lot size to adjust the board lot value of the Shares in order to meet the relevant conditions and requirements in respect of the listing of the Conversion Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above analysis, we are of the view that the Proposed Terms under the Third Supplemental Deed and the granting of Specific Mandate to issue the Conversion Shares are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

B. PROPOSED REFRESHMENT OF CURRENT GENERAL MANDATE

1. Background of and reasons for the refreshment of Current General Mandate

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

At the 2016 AGM, the Shareholders approved, among others, an ordinary resolution for granting the Directors to allot and issue a maximum of 270,018,830 Shares, representing 20% of the issued share capital of the Company as at the date of the 2016 AGM. As disclosed in the below section headed “**2. Fund raising activities of the Company in the past twelve months**”, on 8 June 2016 (after trading hours), a placing agreement was entered into between the Company and a placing agent, pursuant to which the placing agent has agreed to place, on a best endeavour basis, up to 270,000,000 Shares under the Current General Mandate. After the completion of the placing in full as announced by the Company on 24 June 2016, the Current General Mandate had been utilised as to approximately 99.99%. As at the Latest Practicable Date, the Company may only issue up to 18,830 Shares under the Current General Mandate should no refreshment of the Current General Mandate is sought before the next annual general meeting of the Company which is expected to be held only in around June 2017. The Company has not refreshed the Current General Mandate since the 2016 AGM and up to the Latest Practicable Date.

With reference to the Interim Report 2016 and the 3Q Report 2016, the Company has been constantly monitoring the operational performance of its business segments and it is the intention of the Group to continue to put more weight on the financial services business. The Company has been regularly receiving enquiries from various customers in respect of money lending service provided by the Company. It is expected that with more capital reserved for the business, income from the Group’s money lending business will grow steadily and healthily while in the mean time the Company has been striving to minimise the risk of bad debts. Trading business has been experiencing rapid growth and is expected to continue to provide a stable source of revenue to the Group and it is anticipated that the Group will expand its trading business into more variety of consumer products and increase its geographical exposure in the PRC. For the information technology business, the Group intends to commence trading consumer products into the PRC through its customers by developing mobile and cloud based application software and operating related e-commerce platform in the PRC as well as applications in relation to the financial services currently provided or to be provided by the Group.

With reference to the Interim Report 2016, the Group has maintained a relatively high level of debt as seen from the Group’s gearing ratio (which is calculated as total borrowings divided by total capital plus total borrowings, whereas the Group’s total borrowings represent bank borrowings, convertible bonds and promissory notes) as at 30 June 2016 which amounted to approximately 95.63% while the Group’s gearing ratio as at 31 December 2015 amounted to approximately 98.46%, which indicates a relatively low financial stability of the Group.

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As stated in the Letter from the Board, as at the Latest Practicable Date, the Company had no plans to further conduct any fund raising activities for its existing business operations for the next twelve months and had no immediate plan to utilise the Refreshed General Mandate, if granted, to allot and issue Shares. However, future funding requirements may arise anytime before the next annual general meeting of the Company from (i) new investment/acquisitions/business opportunities in the trading/information technology/money lending business of the Company; (ii) redemption of the convertible bonds and/or promissory notes of the Company, being the convertible bonds in the principal amount of HK\$40 million due on 21 April 2018, and promissory notes in the aggregate principal amount of approximately HK\$55.60 million with respective settlement dates on 4 April 2017 and 21 April 2018; (iii) new investment/acquisition opportunities; and/or (iv) working capital needs. Considering that the Current General Mandate has nearly been utilised in full and the remaining number of new Shares that may be issued under the Current General Mandate is expected to only raise a very limited amount of gross proceeds and taking into account that the grant of the Current General Mandate would (i) empower the Directors to flexibly allot and issue Shares as and when appropriate in a timely manner without incurring any interest expense; (ii) allow the Group to promptly respond to any future investment and acquisition opportunities by equipping itself with as many fund-raising options as possible; and (iii) provide flexibility for the Company to redeem the outstanding convertible bonds and promissory notes as the Directors consider appropriate, we are of the view that the proposed refreshment of the Current General Mandate is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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2. Fund raising activities of the Company in the past twelve months

Set out below are the equity fund raising activities of the Company in the past twelve months:

Date of announcement	Fund raising activity	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
14 March 2016 and 31 March 2016	Placing of up to 125,000,000 new Shares at HK\$0.119 per Share under general mandate	HK\$14.00 million	(i) as to not less than HK\$11.20 million for the capital injection into Heng He as its general working capital to facilitate the expansion of the financial leasing business, by increasing the budget of funding amounts to the lessees and exploring other regions in the PRC; and (ii) the remaining for the strengthening of the general working capital base of the Company to finance its business development and/or to finance any future investment opportunities or any future needs in repaying its outstanding debt	Approximately HK\$12.00 million has been used for the capital injections into Heng He, the remaining has been utilized as intended
8 June 2016	Placing of up to 270,000,000 new Shares at HK\$0.092 per Share under general mandate	HK\$23.90 million	(i) as to not less than HK\$19.14 million for the capital injection into Heng He as its general working capital to facilitate the expansion of the financial leasing business, by increasing the budget of funding amounts to the lessees and exploring other regions in the PRC; and (ii) the remaining for the strengthening of the general working capital base of the Company to finance its business development and/or to finance any future investment opportunities or any future needs in repaying its outstanding debt	Approximately HK\$20.00 million has been used for the capital injection into Heng He. The remaining is deposited in bank and will be applied as intended

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Other financing alternatives

With reference to the Letter from the Board, the Directors consider that equity fund raising exercise pursuant to a general mandate does not incur any interest expenses on the Group and is less time-consuming than other types of fund raising exercises (such as debt financing, rights issue and/or open offer). As discussed in the above section headed “**1. Background of and reasons for the refreshment of Current General Mandate**”, the Group has maintained a high gearing ratio. We consider further debt borrowings will further deteriorate the financial position of the Group. Further, the ability of the Group to obtain bank borrowings primarily depends on the Group’s profitability, financial position and the then prevailing market condition. Given the high gearing ratio of the Group, it might not be in the best interests of the Group to obtain bank borrowing as a reasonable interest rate. Other pre-emptive equity fund raising exercise such as rights issue and open offer are usually procedural and involve substantial time and cost to complete as the Company is required to follow a standard timetable in compliance with the Listing Rules and may incur payment of underwriting commission by the Company.

While the refreshment of the Current General Mandate will inevitably result in certain dilution impact to the existing Shareholders (as further discussed in the below section headed “**C. EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY**”, taking into account (i) the disadvantages of raising funds through debt financing, rights issue and/or open offers; and (ii) the advantages of issuance of new Shares by utilisation of the general mandate such that it (a) does not incur any interest expenses that would otherwise be incurred as compared to bank borrowings; (b) requires a relatively short time frame to complete as compared to rights issues and open offers; and (c) provides the Company with an additional financing method which enables it to raise capital in a more flexible manner to satisfy its funding needs promptly as and when it arises, we are of the view that the refreshment of the Current General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

C. EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the full conversion of the outstanding Convertible Bonds at the Conversion Price and the 2018 Convertible Bonds in the principal amount of HK\$40,000,000; and (iii) immediately after full conversion of the outstanding Convertible Bonds at the Conversion Price, the 2018 Convertible Bonds and full utilisation of the Refreshed General Mandate.

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Shareholders	As at the Latest Practicable Date		Immediately after the full conversion of the outstanding Convertible Bonds and the 2018 Convertible Bonds without any utilisation of the Refreshed General Mandate		Immediately after the full conversion of the outstanding Convertible Bonds, the 2018 Convertible Bonds and full utilisation of the Refreshed General Mandate (Note 3)	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %
Cheung Wai Yin, Wilson (Note 1)	98,995,314	6.11	1,256,890,050	40.55	1,256,890,050	36.71
Lau Chi Yan, Pierre (Note 2)	3,984,375	0.25	3,984,375	0.13	3,984,375	0.12
Total non-public Shareholders	102,979,689	6.36	1,260,874,425	40.68	1,260,874,425	36.83
Bondholders (other than Ivana)	-	0.00	148,084,211	4.77	148,084,211	4.32
Bondholder of the 2018 Convertible Bonds	-	0.00	173,913,043	5.61	173,913,043	5.08
Other public Shareholders	1,517,114,463	93.64	1,517,114,463	48.94	1,841,133,293	53.77
Total	1,620,094,152	100.00	3,099,986,142	100.00	3,424,004,972	100.00

Notes:

- The interests disclosed include 98,437,500 Shares 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 Asiatruster Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder of which is Mr. Cheung and the discretionary objects of which are family members of Mr. Cheung (including Mr. Cheung himself). Mr. Cheung is also personally interested in 557,814 Shares.*
- Mr. Lau Chi Yan, Pierre is the Managing Director of the Company.*
- There is no right for any Bondholder(s) to convert any principal amount of the Convertible Bonds held by the Bondholder(s) and the Company shall not issue any Conversion Shares thereof if, upon such conversion and issue of the Conversion Shares, the Company will not be able to comply with the minimum public float requirement as stipulated under Rule 11.23 of the GEM Listing Rules.*
- The maximum number of new Shares to be issued under the Refreshed General Mandate is subject to the actual number of Shares in issue on the date of which the relevant resolutions is approved, and this shareholding structure is for illustration only.*

As presented in the above shareholding table, the shareholding of the public Shareholders, except for the Bondholders (other than Ivana) and the bondholder of the 2018 Convertible Bonds, would decrease from approximately 93.64% to approximately 48.94% immediately after the full conversion of the outstanding Convertible Bonds and the 2018 Convertible Bonds without any utilisation of the Refreshed General Mandate, representing a maximum dilution of approximately 44.70%, while the shareholding of the public Shareholders except for the Bondholders (other than Ivana) and the bondholder of the 2018 Convertible Bonds, would decrease from approximately 93.64% to approximately 53.77% immediately after the full conversion of the outstanding Convertible Bonds and the 2018 Convertible Bonds and full utilisation of the Refreshed General Mandate, representing a maximum dilution of approximately 39.87%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notwithstanding the potential dilution impact to the public Shareholders, in view of (i) the Conversion Price falls within the range of the closing prices of the Share during the Review Period which encourages the Bondholders to convert their Convertible Bonds during the term of the Convertible Bonds; (ii) the conversion of the Convertible Bonds before maturity would relieve the financial burden of the Group at maturity; and (iii) the refreshment of the Current General Mandate would provide the Group with enhanced financial flexibility before the next annual general meeting of the Company is held, we consider that the abovementioned potential dilution impact to the public Shareholders arising from the conversion of the Convertible Bonds and the utilisation of the Refreshed General Mandate is acceptable.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the view that the (i) the transactions contemplated under the Third Supplemental Deed including the Proposed Terms and the granting of the Specific Mandate; and (ii) the refreshment of the Current General Mandate, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, and the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolutions to be proposed at the EGM to approve the Third Supplemental Deed and the refreshment of the Current General Mandate. Independent Shareholders are however advised to take note of the possible dilution effect on their shareholding in the Company upon conversion of the Convertible Bonds and/or when the Refreshed General Mandate is utilised.

Yours faithfully,
For and on behalf of
Goldin Financial Limited
Billy Tang
Director

Note: Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission and a responsible officer of Goldin Financial Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over 10 years of experience in the corporate finance profession.

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 enquiries, 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
Mr. Cheung	Founder of a discretionary trust and personal (<i>Note</i>)	98,995,314	6.11%
Lau Chi Yan, Pierre	Beneficial owner	3,984,375	0.25%

Note: As at the Latest Practicable Date, 98,437,500 Shares were owned by Ivana, a company incorporated in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiatruster Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder (as defined in the SFO) of which is Mr. Cheung 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	Beneficial owner	100,000,000	6.17%
	Founder of a discretionary trust (<i>Note</i>)	297,619,048	18.37%
Lau Chi Yan, Pierre	Beneficial owner	20,000,000	1.23%
Yeung Mo Sheung, Ann	Beneficial owner	1,016,483	0.06%
Ng Kay Kwok	Beneficial owner	1,000,000	0.06%
Yip Kat Kong, Kenneth	Beneficial owner	1,000,000	0.06%

Note: 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).

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 (<i>Note 1</i>)	Trustee	98,437,500	297,619,048	24.45%
CW Limited (<i>Note 1</i>)	Controlled corporation	98,437,500	297,619,048	24.45%
Ivana (<i>Note 1</i>)	Beneficial owner	98,437,500	297,619,048	24.45%
Yihua Enterprise Limited (<i>Note 2</i>)	Beneficial owner	–	173,913,043	10.73%
Cheng Jun (<i>Note 2</i>)	Controlled corporation	–	173,913,043	10.73%
Gao Yun Feng (<i>Note 2</i>)	Controlled corporation	–	173,913,043	10.73%
B-Innovare Limited (<i>Note 3</i>)	Beneficial owner	100,000,000	–	6.17%
Ip Yu Chak (<i>Note 3</i>)	Controlled corporation	100,000,000	–	6.17%

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.

Note 3: The interest is held by B-Innovare Limited, a company incorporated in the British Virgin Islands owned as to 100% by Mr. Ip Yu Chak.

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. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in the third quarterly results of the Group for the nine months ended 30 September 2016, the Directors were not aware of any other material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Company were made up.

4. SERVICE CONTRACT

As 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).

5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors, any proposed Director and their respective close 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.

6. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

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 2015, 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.

7. EXPERT AND CONSENT

The following is the qualification of the Independent Financial Adviser who has given its opinions or advice which are contained in this circular:

Name	Qualification
Goldin Financial Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the expert above has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its respective report and/or letter and/or summary of valuations and/or opinion (as the case may be), and/or the references to its name included in the form and context in which it is respectively included.

As of the Latest Practicable Date, the expert above was not beneficially interested in the share capital of any member of the Group nor did it has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the expert above did not have any direct or indirect interest in any assets which have been acquired, or disposed of by, or leased to any member of the Group, or are proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2015 (the date to which the latest published audited consolidated financial statements of the Group were made up).

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, British West Indies. 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'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.
- (c) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in the case of inconsistency.

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 holidays) up to and including the date of the EGM:

- (i) the Third Supplemental Deed;
- (ii) the second supplemental deed dated 9 July 2014 and entered into between the Company and the then Bondholders for the alteration of certain terms and conditions of the Convertible Bonds;
- (iii) the supplemental deed dated 30 May 2011 and entered into between the Company and the then Bondholder for the alteration of certain terms and conditions of the Convertible Bonds; and
- (iv) the bond instrument in relation to the Convertible Bonds.

NOTICE OF EGM



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 IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Merdeka Financial Services Group Limited (the “**Company**”) will be held on Tuesday, 7 March 2017 at 11:00 a.m. at Jasmine Room, 3/F., Best Western Plus Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong for the purposes of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (A) the third supplemental deed (the “**Third Supplemental Deed**”) dated 20 January 2017 and entered into among the Company and the holders of the zero coupon convertible bonds due 2017 (the “**Convertible Bonds**”) in the outstanding principal amount of HK\$124,068,000, for (a) extending the maturity date of the Convertible Bonds for 3 years from 12 August 2017 to 12 August 2020; (b) amending the conversion price of the Convertible Bonds from HK\$0.3696 per share (the “**Share**”) of HK\$0.001 in the capital of the Company to HK\$0.095 per Share; and (c) inclusion of the following adjustment events to the conversion price: (i) issue of Shares for subscription by way of rights, or a grant of options or warrants to subscribe for Shares, at a price which is less than 80% of the market price per Share to the shareholders of the Company; (ii) issue wholly for cash of securities convertible into or exchangeable for or carrying rights of subscription for Shares, if in any case the total effective consideration per Share receivable is less than 80% of the market price, or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration receivable is less than 80% of such market price; and (iii) issue of Shares being made wholly for cash at a price less than 80% of the market price per Share, a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for identification purpose, and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, ratified and confirmed;
- (B) any one or more of the directors (the “**Directors**”) of the Company be and is/are hereby granted a specific mandate to allot and issue of new Shares upon exercise of the conversion rights attached to the Convertible Bonds at the conversion price of HK\$0.095 per Share (subject to adjustment) upon and subject to the terms and conditions of the Convertible Bonds as amended by the Third Supplemental Deed; and

** for identification purposes only*

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- (C) any one or more of the Directors be and is/are hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company thereto) any such other documents, instruments and agreements and to do any such acts or things as may be deemed by him/her/them to be necessary or incidental to, ancillary to or in connection with the matters contemplated in the Third Supplemental Deed and the transactions contemplated thereunder or otherwise in relation to the Third Supplemental Deed and the matters and the transactions contemplated thereunder.”
2. “**THAT**, to the extent not already exercised, the mandate to allot and issue shares of the Company given to the Directors at the annual general meeting of the Company held on 24 May 2016 be and is hereby revoked and replaced by the mandate **THAT**:
- (A) subject to paragraph (C) of this resolution and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the share capital of the Company or options, warrants, or similar rights to subscribe for any shares and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company), which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (B) the approval in paragraph (A) of this resolution shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements, options and rights of exchange or conversion which would or might require the exercise of such powers after the end of the Relevant Period (as hereinafter defined);
- (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (A) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), or (ii) the exercise of rights of conversion under any securities which are convertible into shares of the Company, or (iii) any scrip dividend scheme or similar arrangements providing for the allotment of shares in lieu of the whole or a part of a dividend on shares of the Company pursuant to the articles of association of the Company from time to time, or (iv) the grant or exercise of any options granted under any option scheme or similar arrangement for the time being adopted by the Company for the grant or issue to the Directors, officers and/or employees of the Company and/or any of its subsidiaries of options to subscribe for, or rights to acquire, shares of the Company, shall not in aggregate exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution and the said approval shall be limited accordingly; and

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(D) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; or
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means the allotment or issue of shares in the share capital of the Company pursuant to an offer of shares open for a period fixed by the Directors made to holders of shares of the Company or any class thereof whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

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

Hong Kong, 20 February 2017

Registered Office:

Cricket Square
Hutchins 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

NOTICE OF EGM

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 share as if he were solely entitled thereto, but if more than one of such joint holders be present at the 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 stands shall for the purposes of the articles of association of the Company be deemed joint holders thereof.
2. Any member entitled to attend and vote at the Meeting 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 the Meeting or at a class meeting. A proxy need not 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 at the Meeting 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 Meeting or any adjourned meeting.
5. All voting by the members at the Meeting shall be conducted by way of poll.