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MERDEKA FINANCIAL GROUP LIMITED

領智金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8163)

PROPOSED TRANSFER OF THE 2008 CONVERTIBLE BONDS

References are made to (i) the announcements of the Company dated 23 October 2007, 30 May 2011, 4 July 2011, 9 July 2014, 19 September 2014, 20 January 2017 and 7 March 2017 and the circulars of the Company dated 30 May 2008, 15 June 2011, 3 September 2014 and 20 February 2017 in relation to the issue of, and the subsequent amendments made to, the 2008 Convertible Bonds (the “**CB Announcements and Circulars**”); and (ii) the announcement of the Company dated 10 January 2020 in relation to the proposed Rights Issue, subscription of the Team Sunny Convertible Bonds and the 2008 CB Terms Amendments (the “**2020 Announcement**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the CB Announcements and Circulars and the 2020 Announcement.

The Board announces that on 21 January 2020, the Company has received a notice from Ivana in relation to the proposed transfer (the “**Transfer**”) of the 2008 Convertible Bonds in the principal amount of the HK\$55.00 million from Ivana to Team Sunny pursuant to the sale and purchase agreement entered into between Ivana and Team Sunny on 21 January 2020 (the “**Sale and Purchase Agreement**”).

The Sale and Purchase Agreement:

The principal terms of the Sale and Purchase Agreement are set out as follows:

Date: 21 January 2020

Vendor: Ivana Investments Limited

As at the date of this announcement, Ivana is a company controlled and owned by a trust founded by Mr. Cheung, the Chairman, an executive Director and the chief executive officer of the Company, Ivana is therefore a connected person of the Company under the GEM Listing Rules.

Purchaser: Team Sunny International Holdings Limited

As at the date of this announcement, Team Sunny is wholly and ultimately owned by Mr. Wong and is beneficially interested in 47,164,000 Shares, representing approximately 17.99% of the issued share capital of the Company. Accordingly, Team Sunny is a connected person of the Company under the GEM Listing Rules.

Subject Matter

Pursuant to the Sale and Purchase Agreement, Team Sunny has conditionally agreed to acquire and Ivana has conditionally agreed to sell the 2008 Convertible Bonds issued by the Company in the principal amount of HK\$55.00 million (the “**Sale 2008 Convertible Bonds**”) free from all encumbrances and together with all rights attaching thereto at completion of the Transfer (the “**CB Transfer Completion**”) and thereafter.

Consideration

Pursuant to the Sale and Purchase Agreement, the consideration of the Sale 2008 Convertible Bonds shall be HK\$50.00 million which shall be satisfied in the following manner:

- (i) HK\$5.00 million being part payment of the consideration shall be payable by Team Sunny to Ivana (or its nominee(s)) in cash at the CB Transfer Completion; and
- (ii) the remaining balance of the consideration of HK\$45.00 million shall be payable by Team Sunny to Ivana (or its nominee(s)) in cash within twelve (12) months from the date of the CB Transfer Completion (or such other date as shall be agreed in writing among the parties thereto).

Conditions precedent

The CB Transfer Completion is conditional upon and subject to the satisfaction of the following conditions:

- (a) the 2008 CB Terms Amendments having become effective;
- (b) the Transfer being in full compliance with the terms and conditions of the 2008 Convertible Bonds and the instrument of the 2008 Convertible Bonds;
- (c) all necessary consents, licences and approvals required to be obtained on the part of Ivana in respect of the Sale and Purchase Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect; and
- (d) all necessary consents, licences and approvals required to be obtained on the part of Team Sunny in respect of the Sale and Purchase Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect.

Team Sunny shall use its best endeavour to procure the fulfillment of the condition (d). Ivana shall use its best endeavour to procure the fulfillment of the conditions (a), (b) and (c). All conditions set out above are incapable of being waived. If the conditions set out above have not been satisfied on or before on 30 April 2020, or such later date as Ivana and Team Sunny may agree in writing, the Sale and Purchase Agreement shall cease and terminate (save and except clauses in relation to restriction on announcements, notices, costs and stamp duty and governing law and jurisdiction which shall continue to have full force and effect) and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breach.

Completion

If the above conditions precedent have been fulfilled, the CB Transfer Completion shall take place within three Business Days after the expiry of the Record Date or the date of termination or lapse of the Rights Issue (whichever is the earlier) (or such other date as the parties may agree in writing).

Following the CB Transfer Completion, Team Sunny will become the registered holder of the 2008 Convertible Bonds in the principal amount of HK\$55.00 million.

2008 Conversion Shares

As disclosed in the 2020 Announcement, the Company intends to apply part of the net proceeds of HK\$55.00 million for the partial repayment of the 2008 Convertible Bonds to Mr. Cheung. As further disclosed in the 2020 Announcement, the Company and the CB Holders conditionally agreed to amend certain terms of the 2008 Convertible Bonds such that (a) the maturity date of the 2008 Convertible Bonds be extended for a further term of three years from 13 August 2020 to 12 August 2023; and (b) the conversion price of the 2008 Convertible Bonds be revised from HK\$0.95 per 2008 Conversion Share to HK\$0.110 per 2008 Conversion Share with effect from 13 August 2020 (subject to adjustments). Save for the 2008 CB Terms Amendments, all other terms of the 2008 Convertible Bonds shall remain unchanged and valid.

Upon the 2008 CB Terms Amendments having become effective, a maximum of 500,000,000 2008 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Sale 2008 Convertible Bonds with a principal amount of HK\$55.00 million, which represents:

- (a) approximately 190.69% of the issued share capital of the Company as at the date of the 2020 Announcement;
- (b) approximately 190.69% of the issued share capital of the Company as at the date of this announcement;
- (c) approximately 38.14% of the issued share capital of the Company as to be enlarged by the completion of the proposed Rights Issue (assuming no Outstanding Share Options being exercised and no other issue or repurchase of Shares);
- (d) approximately 29.89% of the issued share capital of the Company as to be enlarged by the completion of the proposed Rights Issue (assuming no Outstanding Share Options being exercised and no other issue or repurchase of Shares) and the allotment and issue of the Team Sunny Conversion Shares;
- (e) approximately 23.01% of the issued share capital of the Company as to be enlarged by the completion of the proposed Rights Issue (assuming no Outstanding Shares Options being exercised and no other issue or repurchase of Shares), the allotment and issue of the Team Sunny Conversion Shares and the 500,000,000 2008 Conversion Shares upon full conversion of the Sale 2008 Convertible Bonds; and
- (f) approximately 21.73% of the issued share capital of the Company as to be enlarged by the completion of the proposed Rights Issue (assuming no Outstanding Share Options being exercised and no other issue or repurchase of Shares), the allotment and issue of the Team Sunny Conversion Shares and all the outstanding 2008 Conversion Shares.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, set out below the shareholding structure of the Company as at the date of this announcement, and the effect on the shareholding structure of the Company upon completion of (i) the proposed Rights Issue in the manner contemplated under the Underwriting Agreement; (ii) the allotment and issue of the Team Sunny Conversion Shares pursuant to the Subscription Agreement; and (iii) the 2008 CB Terms Amendments, the CB Transfer Completion and the allotment and issue of all the 2008 Conversion Shares is as follow:

Scenario 1: Assuming no Outstanding Share Options being exercised and that there is no change in the number of issued Shares from the date of this announcement up to the Record Date

	As at the date of this announcement		Assuming no Outstanding Share Options being exercised and no other issue or repurchase of Shares on or before the Record Date, and that all the Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full		Assuming no Outstanding Share Options being exercised and no other issue or repurchase of Shares on or before the Record Date, and that no Qualifying Shareholders (except the Underwriter and its associate and Team Sunny pursuant to the Team Sunny Irrevocable Undertaking) have taken up any entitlements of the Rights Shares		(i) Assuming no Outstanding Share Options being exercised and no other issue or repurchase of Shares on or before the Record Date, and that no Qualifying Shareholders (except the Underwriter and its associate and Team Sunny pursuant to the Team Sunny Irrevocable Undertaking) have taken up any entitlements of the Rights Shares and issue of the Team Sunny Conversion Shares ^(note 3)		(i) Assuming no Outstanding Share Options being exercised and no other issue or repurchase of Shares on or before the Record Date, and that no Qualifying Shareholders (except the Underwriter and its associate and Team Sunny pursuant to the Team Sunny Irrevocable Undertaking) have taken up any entitlements of the Rights Shares; (ii) the allotment and issue of the Team Sunny Conversion Shares; and (iii) the completion of 2008 CB Terms Amendments, the CB Transfer Completion and allotment and issue of all the 2008 Conversion Shares ^(note 4)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Shareholders										
Team Sunny ^(note 1)	47,164,000	17.99	235,820,000	17.99	390,730,000	29.80	752,599,554	44.99	1,252,599,554	54.44
Cheung Wai Yin, Wilson ^(note 2)	55,781	0.02	278,905	0.02	55,781	0.00	55,781	0.00	55,781	0.00
Option holders	—	—	—	—	—	—	—	—	—	—
CB Holders (Mr. Jin and Mr. Shang)	—	—	—	—	—	—	—	—	127,890,909	5.56
Underwriter	—	—	—	—	705,236,876	53.80	705,236,876	42.16	705,236,876	30.65
Other public Shareholders	214,980,938	81.99	1,074,904,690	81.99	214,980,938	16.40	214,980,938	12.85	214,980,938	9.35
Total	262,200,719	100.00	1,311,003,595	100.00	1,311,003,595	100.00	1,672,873,149	100.00	2,300,764,058	100.00

Scenario 2: Assuming new Shares have been allotted and issued on or before the Record Date pursuant to the full exercise of all Outstanding Share Options but otherwise no other Shares (other than the Rights Shares) have been allotted and issued on or before the Record Date.

	As at the date of this announcement		Assuming all Outstanding Share Options being exercised and no other issue or repurchase of Shares on or before the Record Date, and that all the Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full		Assuming all Outstanding Share Options being exercised and no other issue or repurchase of Shares on or before the Record Date, and that no Qualifying Shareholders (except the Underwriter and its associate and Team Sunny pursuant to the Team Sunny Irrevocable Undertaking) have taken up any entitlements of the Rights Shares		(i) Assuming all Outstanding Share Options being exercised and no other issue or repurchase of Shares on or before the Record Date, and that no Qualifying Shareholders (except the Underwriter and its associate and Team Sunny pursuant to the Team Sunny Irrevocable Undertaking) have taken up any entitlements of the Rights Shares and (ii) the allotment and issue of the Team Sunny Conversion Shares ^(note 3)		(i) Assuming all Outstanding Share Options being exercised and no other issue or repurchase of Shares on or before the Record Date, and that no Qualifying Shareholders (except the Underwriter and its associate and Team Sunny pursuant to the Team Sunny Irrevocable Undertaking) have taken up any entitlements of the Rights Shares; (ii) the allotment and issue of the Team Sunny Conversion Shares; and (iii) the completion of 2008 CB Terms Amendments, the CB Transfer Completion and the allotment and issue of all the 2008 Conversion Shares ^(note 4)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Shareholders										
Team Sunny ^(note 1)	47,164,000	17.99	235,820,000	17.99	390,730,000	29.80	752,599,554	44.99	1,252,599,554	54.44
Cheung Wai Yin, Wilson ^(note 2)	55,781	0.02	278,905	0.02	55,781	0.00	55,781	0.00	55,781	0.00
Option holders	33,199	0.01	165,995	0.01	33,199	0.00	33,199	0.00	33,199	0.00
CB Holders (Mr. Jin and Mr. Shang)	—	—	—	—	—	—	—	—	127,890,909	5.56
Underwriter	—	—	—	—	705,369,672	53.80	705,369,672	42.16	705,369,672	30.66
Other public Shareholders	214,980,938	81.98	1,074,904,690	81.98	214,980,938	16.40	214,980,938	12.85	214,980,938	9.34
Total	262,233,918	100.00	1,311,169,590	100.00	1,311,169,590	100.00	1,673,039,144	100.00	2,300,930,053	100.00

Notes:

- (1) Team Sunny is owned as to 100% by Mr. Wong whose is deemed to be interested in 47,164,000 Shares pursuant to the Part XV of the SFO. Upon completion of the Subscription and the Transfer, Team Sunny will hold Team Sunny Convertible Bonds in the principal amount of HK\$39,805,651 (which are convertible into Team Sunny Conversion Shares at the Team Sunny Conversion Price of HK\$0.110 per Share (subject to adjustments)) and 2008 Convertible Bonds in the principal amount of HK\$55.00 million (which are convertible into 2008 Conversion Shares at the 2008 Conversion Price of HK\$0.110 per Share (subject to adjustments)).
- (2) Mr. Cheung Wai Yin Wilson is the Chairman, an executive Director and the chief executive officer of the Company and personally interested in 55,781 Shares. Upon completion of the proposed Rights Issue and the Transfer, Mr. Cheung, through Ivana, will not hold any 2008 Convertible Bonds.
- (3) The shareholding structure is prepared for illustrative purpose only. There is no right for Team Sunny to convert any principal amount of the Team Sunny Convertible Bonds held by Team Sunny and the Company shall not issue any Team Sunny Conversion Shares thereof if, upon such conversion and issue of the Team Sunny 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.

- (4) The shareholding structure is prepared for illustrative purpose only. There is no right for any CB Holder(s) and/or Team Sunny to convert any principal amount of the 2008 Convertible Bonds held by the CB Holder(s) and/or Team Sunny and the Company shall not issue any 2008 Conversion Shares thereof if, upon such conversion and issue of the 2008 Conversion Shares, the Company will be in breach of the minimum public float requirement as stipulated under the GEM Listing Rules.
- (5) These scenarios are for illustrative purpose only. Under the Underwriting Agreement, the Underwriter has undertaken that it shall use its reasonable endeavours to ensure that (i) each of the subscribers or purchasers of the Untaken Shares procured by it shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with any Directors, chief executive or substantial Shareholders of the Company or its subsidiaries or any of their respective associates; (ii) the public float requirements under the GEM Listing Rules shall be fulfilled by the Company upon completion of the Rights Issue; and (iii) any subscription or purchase of the Untaken Shares by the Underwriter and each of the subscribers or purchasers procured by the Underwriter shall not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Underwriter and the subscribers or purchasers procured by the Underwriter upon completion of the Rights Issue.
- (6) Certain percentage figures included in the above tables have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

GEM LISTING RULES IMPLICATIONS

According to the 2008 Convertible Bonds instrument, if the 2008 Convertible Bonds are transferred to a connected person (as defined in the GEM Listing Rules) (except the transfer of the 2008 Convertible Bonds to the holding company or subsidiary of the CB Holders) of the Company or its associate(s) (as defined in the GEM Listing Rules), the Company shall immediately notify the Stock Exchange and all such transfer shall be made subject to prior approval of the Stock Exchange and full compliance with the GEM Listing Rules. As Team Sunny is a substantial shareholder of the Company and is beneficially interested in 47,164,000 Shares, representing approximately 17.99% of the entire issued share capital of the Company, Team Sunny is therefore a connected person of the Company under the GEM Listing Rules and accordingly, the Transfer is conditional on the approval by the Stock Exchange and an application for the said approval will be made by the Company to the Stock Exchange.

Given that CB Transfer Completion is conditional on the satisfaction of the conditions relating to the Fourth Supplemental Deed and the transactions contemplated thereunder (including but not limited to the 2008 CB Terms Amendments and the allotment and issue of the 2008 Conversion Shares upon exercise of the conversion rights attached to the amended 2008 Convertible Bonds) and the grant of the 2008 CB Specific Mandate and the consent from the Stock Exchange, each of Mr. Cheung, Ivana, Mr. Wong and Team Sunny, together with their respective associates will abstain from voting in respect of the resolution(s) approving the 2008 CB Terms Amendments and the 2008 CB Specific Mandate at the EGM. As the Transfer is a transaction between Ivana and Team Sunny, in addition to Mr. Wong, Team Sunny and their respective associates, Mr. Cheung, Ivana

and their respective associates will also abstain from voting in respect of the resolution(s) approving the Subscription Agreement and the Team Sunny Specific Mandate at the EGM.

A Circular containing, among other things, (i) further information on the proposed Rights Issue, the Subscription Agreement and the 2008 CB Terms Amendments and the transactions contemplated respectively thereunder; (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders; and (iv) the notice of the EGM will be despatched to the Shareholders on or about Friday, 31 January 2020. The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Rights Issue, the Subscription Agreement and the 2008 CB Terms Amendments and the transactions contemplated respectively thereunder, including but not limited to the issue of the Team Sunny Convertible Bonds, the allotment and issue of the Team Sunny Conversion Shares and the 2008 Conversion Shares, and the grant of the Team Sunny Specific Mandate and the 2008 CB Specific Mandate.

CB Transfer Completion is subject to the satisfaction of the conditions precedent set out in the Sale and Purchase Agreement. Accordingly, the Transfer may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

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

Hong Kong, 21 January 2020

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Listed Company Information" page for at least seven days from the day of its publication and posting and will be published and remains on the website of the Company at <http://www.merdeka.com.hk>.