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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)

SUPPLEMENTAL ANNOUNCEMENT IN RESPECT OF DISCLOSEABLE TRANSACTION PROVISION OF THE LOAN

Reference is made to the announcement (“**Announcement**”) of Merdeka Financial Group Limited (the “**Company**”) dated 22 December 2020 in relation to the provision of loan. Unless otherwise specified, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

This announcement is made to provide additional information regarding the Loan.

The Loan was introduced by Mr. Wong Hin Shek (“**Mr. Wong**”), the Executive Director, Chairman and Chief Executive Officer of the Company, who has known Mr. Ho, being the sole owner of the Borrower, for over years.

The purpose of the Loan for the Borrower was to finance the Second Borrower for the acquisition of the Assigned Asset from the UK Bank (the “**Transaction 1 Acquisition**”), which includes all the legal and beneficial right, title and interest in any present or future liability payable or owing by the Existing Borrower to the UK Bank (“**Assigned Asset Rights**”). Pursuant to the Loan Facility Agreement, there is a provision in relation to the purpose of the Loan, stating that the Borrower shall use the Loan to part fund the Borrower’s obligations under the syndicate loan agreement entered into between, amongst others, the Borrower and the Second Borrower (the “**Second Borrower Loan Agreement**”).

Given that (i) Mr. Wong is only familiar with Mr. Ho but not the Second Borrower; (ii) Mr. Ho is only interested in a minority stake (i.e. approximately 25%) in the Second Borrower; and (iii) it was also understood that the amount of Loan did not reach the minimum loan amount required by the Second Borrower (i.e. the amount of Loan (i.e. GBP500,000 (equivalent to approximately HK\$5,204,000) and only attributed approximately 8.2% of the Total Second Borrower Loan), hence the Lender entered into the Loan Facility Agreement with the Borrower instead of the Second Borrower.

It is emphasized that (i) Loan Facility Agreement is an arrangement entered into between the Lender and the Borrower with respect to the Loan, while the Second Borrower is not a party under the Loan Facility Agreement; and (ii) the Lender does not have any obligation towards the Transaction 1 Acquisition.

As of the date of this announcement, the Transaction 1 Acquisition has completed and the Second Borrower owns all the Assigned Asset Rights and has enforced the Assigned Asset Rights and appointed a receiver who has commenced the sale of the Land. As at the date of this announcement, the sale of the Land is in progress and expected to be completed within 2 to 4 weeks from now.

Pursuant to the Loan Facility Agreement, the Borrower irrevocably appoints the Lender as its security trustee and security agent for the Trust Property representing approximately 27.87% equity interest of the Second Borrower under the Charge created in favour of, the Borrower and two other Independent Third Parties, as security under the Second Borrower Loan Agreement. The Lender shall be entitled to enforce the Charge in the event of default by the Second Borrower.

Under the security trustee arrangement, including but not limited to, (i) the Borrower authorises the Lender to perform the duties, obligations and responsibilities and/or to exercise the rights, powers, authorities and discretions specifically given to the Lender under or in connection with the Charge, together with any other incidental rights, powers, authorities and discretions; and (ii) the Borrower shall not have any independent power to enforce, or have recourse to, the Charge or to exercise any right, power, authority or discretion arising under the Charge except through the Lender.

In the event the Second Borrower fails to repay the Borrower, the Lender, as the security trustee of the Trust Property under the Charge, can realise or enforce the Charge, and all amounts from time to time received or recovered by the Lender as security trustee from the realisation of the Trust Property, upon settling any costs and expenses associated with obtaining such recoveries, shall be applied by the Lender to the settlement of the entitlements of each of the Lender and the Borrower in accordance to the Relevant Proportion (“**Recovered Amounts**”). The Recovered Amounts will be retained and distributed by the Lender and will not be paid to the Borrower before the Lender retains its entitlements in the Relevant Proportion.

Given that (i) the effect of the Loan is to allow the Lender to participate in the Second Borrower Loan Agreement and receive equivalent economic benefits similar to other parties under the Second Borrower Loan Agreement; (ii) the Borrower irrevocably appoints the Lender as its security trustee for the Trust Property under the Charge created in favour of, among others, the Borrower; (iii) the Assigned Asset, includes a fixed charge over the Land and based on an independent valuation report as of November 2020, the market value of the Land is approximately GBP12,000,000 (equivalent to approximately HK\$124,800,000); and (iv) the Recovered Amounts will be retained and distributed by the Lender and will not be paid to the Borrower before the Lender retains its entitlements in the Relevant Proportion, the Directors are of the view that the terms of the Loan are fair and reasonable and in the interests to the Company and its Shareholders as a whole.

By order of the Board
MERDEKA FINANCIAL GROUP LIMITED
Wong Hin Shek
Chairman and Chief Executive Officer

Hong Kong, 5 February 2021

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules of the Stock Exchange 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>.