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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)

CONNECTED TRANSACTION — PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

Financial Adviser to the Company



**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



Vinco Financial Limited

PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

On 14 November 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company conditionally agrees to issue and the Subscriber conditionally agrees to subscribe for the Convertible Bonds in the principal amount of HK\$91,000,000 and pay the Subscription Price by setting off against the outstanding principal amounts of the 2023 May CB and 2023 August CB held by the Subscriber at Completion. As at the date of this announcement, the outstanding principal amounts of the 2023 May CB is HK\$38,805,651 and 2023 August CB is HK\$55,000,000 respectively, and pursuant to the Subscription Agreement, the Company undertakes to the Subscriber to redeem HK\$2,805,651 of the principal outstanding amount of the 2023 May CB prior to the date of EGM.

The Conversion Shares will be issued under the Specific Mandate to be sought from the Independent Shareholders at the EGM. The Subscription is conditional upon the Stock Exchange granting the Company the approval for the listing of, and the permission to deal in, the Conversion Shares and the passing of necessary resolution(s) by the Independent Shareholders at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

GEM LISTING RULES IMPLICATIONS

The Subscriber, is wholly and ultimately owned by Mr. Wong, being the Chairman, an executive Director and the chief executive officer of the Company, is beneficially interested in 136,755,500 Shares, representing approximately 24.13% of the issued share capital of the Company, is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription constitutes a connected transaction on the part of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. In addition, the Convertible Bonds and the Conversion Shares will be issued under the Specific Mandate which is subject to Independent Shareholders' approval at the EGM. The EGM will be convened and held for the purposes of considering of, and if thought fit, approving, among other things, the Subscription, and the Specific Mandate to allot and issue the Conversion Shares.

Mr. Wong has abstained from voting on the resolutions in relation to Subscription Agreement proposed to the Board. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Subscription.

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors has been established to consider, and to advise the Independent Shareholders regarding the Subscription and the transactions contemplated thereunder, and as to whether the Subscription is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Vinco Financial has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve by way of poll, among other matters, the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate for the allotment and issue of the Conversion Shares).

The Subscriber and its associates, being interested in the transactions contemplated under the Subscription Agreement, shall abstain from voting for the resolution to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among others, (i) further details of the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the Conversion Shares under the Specific Mandate; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from an Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement; and (iv) a notice convening the EGM will be despatched by the Company to the Shareholders on or before 8 December 2022 so as to allow sufficient time for preparation of the relevant information for inclusion in the circular.

The Completion of the Subscription are subject to the fulfillment of the conditions precedent as set out in this announcement. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. If they are in any doubt, they should consult their professional advisers.

BACKGROUND OF THE EXISTING BONDS

2023 May CB

As at the date of this announcement and immediately before the entering into of the Subscription Agreement, the outstanding principal amount of the 2023 May CB is HK\$38,805,651 and is held by the Subscriber. The maturity date of the 2023 May CB is 21 May 2023 with a conversion price of HK\$0.903 per conversion share.

Pursuant to the Subscription Agreement, the Company undertakes to the Subscriber to redeem HK\$2,805,651 of the principal outstanding amount of the 2023 May CB prior to the date of EGM.

2023 August CB

As at the date of this announcement and immediately before the entering into of the Subscription Agreement, the 2023 August CB in the aggregate outstanding principal amount of HK\$69,068,000 with a conversion price of HK\$0.90 per conversion share remains outstanding as follows:

- a. The Subscriber holds a 2023 August CB in the outstanding principal amount of HK\$55,000,000 maturing on 12 August 2023; and
- b. the remaining 2023 August CB in the outstanding principal amount of HK\$14,068,000 maturing on 12 August 2023 is held by Independent Third Parties.

The Board is pleased to announce that on 14 November 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company conditionally agrees to issue and the Subscriber conditionally agrees to subscribe for the Convertible Bonds in the principal amount of HK\$91,000,000 and pay the Subscription Price by setting off against the outstanding principal amounts of the 2023 May CB and 2023 August CB held by the Subscriber at Completion. As at the date of this announcement, the outstanding principal amounts of the 2023 May CB is HK\$38,805,651 and 2023 August CB is HK\$55,000,000 respectively, and pursuant to the Subscription Agreement, the Company undertakes to the Subscriber to redeem HK\$2,805,651 of the principal outstanding amount of the 2023 May CB prior to the date of EGM (the “**Early Redemption**”).

THE SUBSCRIPTION AGREEMENT

Set out below are the principal terms of the Subscription Agreement:

Date : 14 November 2022 (after trading hours)

Parties : (i) the Company as issuer, and
(ii) the Subscriber.

The Subscriber, is wholly and ultimately owned by Mr. Wong, being the Chairman, an executive Director and the chief executive officer of the Company, is beneficially interested in 136,755,500 Shares, representing approximately 24.13% of the issued share capital of the Company, is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

Subscription Price : HK\$91,000,000

The Subscription Price shall be set off against the aggregate outstanding principal amount of HK\$91,000,000 at Completion, comprising HK\$36,000,000 under the 2023 May CB (after the Early Redemption) and HK\$55,000,000 under the 2023 August CB held by the Subscriber.

As at the date of this announcement, the outstanding principal amounts of the 2023 May CB is HK\$38,805,651 and 2023 August CB is HK\$55,000,000 respectively, and pursuant to the Subscription Agreement, the Company undertakes to the Subscriber to redeem HK\$2,805,651 of the principal outstanding amount of the 2023 May CB prior to the date of EGM.

Conditions of the Subscription Agreement

The Subscription is conditional upon:

- (i) the passing by the Independent Shareholders of relevant resolution(s) at the EGM in compliance with the requirements of the GEM Listing Rules approving:
 - (a) the Subscription Agreement and the transactions contemplated hereunder; and
 - (b) the issue of the Convertible Bonds and the Specific Mandate for the allotment and issue of the Conversion Shares to holder(s) of the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds;
- (ii) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Subscription Agreement and the transactions contemplated hereunder having been obtained;
- (iii) all necessary consents and approvals required to be obtained on the part of the Subscriber in respect of the Subscription Agreement and the transactions contemplated hereunder having been obtained;
- (iv) the GEM Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Conversion Shares to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds;
- (v) none of the warranties given by the Company under the Subscription Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect; and
- (vi) none of the warranties given by the Subscriber under the Subscription Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect.

In the event that the conditions of the Subscription are not fulfilled on or before 31 January 2023 or such other date as may be agreed between the parties to the Subscription Agreement, the Subscription Agreement shall cease and terminate and neither the Company nor the Subscriber shall have any obligations and liabilities under the Subscription Agreement.

Completion

The Subscription Agreement shall complete within three (3) Business Days after the day on which the conditions set out above are fulfilled or, as the case may be, waived (or such later date as may be agreed between the Company and the Subscriber in writing). Upon Completion, the outstanding principal amount of the Existing Bonds held by the Subscriber will be set-off against the Subscription Price in full, and the obligation and liability of the Company to the Subscriber under the Existing Bonds will be extinguished.

Principal terms of the Convertible Bonds

- Issuer : The Company
- Subscriber : Team Sunny International Holdings Limited, which is principally engaged in investment holding
- Issue price : 100% of the principal amount
- Principal amount : HK\$91,000,000
- Conversion price : The Conversion Price per Conversion Share, subject to adjustments as hereafter described, shall be as follows:
- (a) The Conversion Price per Conversion Share for HK\$36,000,000 of the principal amount of the Convertible Bonds for the period from the date of issue of the Convertible Bonds up to and including 21 May 2023 shall be HK\$0.903 per Conversion Share and for the period from 22 May 2023 up to and including the Maturity Date (as defined below) shall be HK\$0.186 per Conversion Share; and
 - (b) The Conversion Price per Conversion Share for HK\$55,000,000 of the principal amount of the Convertible Bonds for the period from the date of issue of the Convertible Bonds up to and including 12 August 2023 shall be HK\$0.90 per Conversion Share and for the period from 13 August 2023 up to and including the Maturity Date (as defined below) shall be HK\$0.186 per Conversion Share.
- Adjustment events : The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events:
- (a) Consolidation or sub-division 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.

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.

(b) 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 following fraction:

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

where:

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

B = 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 following the record date for such issue.

(c) Capital distribution

If and whenever the Company shall make any capital distribution to the Shareholders (in their capacity as such) (whether on a reduction of capital or otherwise) or shall grant to such holders right(s) to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

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

where:

A = the market price on the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the next preceding day of the capital distribution or, as the case may be, of the grant; 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 the independent auditors, of the portion of the capital distribution or of such rights which is attributable to one Share. For avoidance of doubt, if the capital distribution is distributions in cash the fair market value shall be the cash value and determination by the independent auditors is not required.

Provided that (aa) if in the opinion of an independent auditors, the use of the fair market value as aforesaid produces a result which is significantly inequitable, such independent auditors 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 or rights; and (bb) the provisions of this paragraph (c) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

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

(d) Issue of Shares for subscription by way of rights

If and whenever the Company shall offer to Shareholders new Shares for subscription by way of rights, or shall grant to Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 80% of the market price on 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 before the date of the announcement of such offer or grant by the following fraction:

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

- A = the number of Shares in issue immediately before the date of such announcement;
- B = the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price per Share; and
- C = the aggregate number of Shares offered for subscription or comprised in the options or warrants.

Such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant.

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 holder(s) of the Convertible Bonds (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 they had exercised the conversion rights under the Convertible Bonds registered in their holders of the Convertible Bonds out of the total principal amount of the Convertible Bonds outstanding at the time of the proposed redemption.

(e) (aa) Issue of convertible or exchangeable securities

If and whenever the Company shall issue wholly for cash any securities convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share (as defined in this paragraph (e) below) initially receivable for such securities is less than 80% of the market price on 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:

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

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

Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

(bb) Modification of rights of convertible or exchangeable securities

If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (aa) of this paragraph (e) are modified so that the total Effective Consideration per Share (as defined below) initially receivable for such securities shall be less than 80% of the market price on 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:

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

- A = the number of Shares in issue immediately before the date of such modification;
- B = the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price; and
- C = the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price.

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 the Conversion Price provided that corresponding adjustment has already been made to the Conversion Price in respect of such an event.

For the purposes of this paragraph (e), 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.

(f) 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 wholly for cash any Shares at a price per Share which is less than 80% of the market price on 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:

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

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the aggregate amount payable for the issue would purchase at such market price; and

C = the number of Shares so issued.

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

(g) If and whenever the Company shall issue Shares for the acquisition of asset at a total Effective Consideration per Share (as defined in this paragraph (g) below) which is less than 80% of the market price at 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:

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

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price per Share; and

C = the number of Shares so issued.

For the purpose of this paragraph (g) “**total Effective Consideration**” shall be the aggregate consideration credited as being paid for such Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “**total Effective Consideration per Share**” shall be the total Effective Consideration divided by the number of Shares issued as aforesaid.

Interest rate: : Zero coupon

Conversion Shares : Based on the principal amount of the Convertible Bonds of HK\$91,000,000, the Convertible Bonds is convertible into 489,247,311 Conversion Shares at the initial conversion price of HK\$0.186 per Conversion Share (subject to adjustments)

- Conversion period : The period commencing from the issue date of the Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the Maturity Date (as defined below)
- Conversion rights and restrictions : The holder(s) of the Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions thereunder, have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the Convertible Bonds registered in its name into the Conversion Shares provided further that (i) any conversion shall be made in amounts of not less than a whole multiple of HK\$500,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Bonds is less than HK\$500,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted; and (ii) the exercise of the conversion right attached to the Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the GEM Listing Rules.
- Early redemption at the option of the Company : The Company shall be entitled at its sole discretion, by giving not less than seven (7) days' notice to the holder(s) of the Convertible Bonds, propose to the holder(s) to redeem the outstanding Convertible Bonds (in multiples of HK\$500,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding Convertible Bonds at any time after the date of issue of the Convertible Bonds up to and including the date falling seven (7) days immediately before the maturity date of the Convertible Bonds.
- Ranking : The Conversion Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the relevant conversion date including the right to all dividends or other distributions, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the relevant conversion date.

- Maturity date : 12 August 2024 (the “**Maturity Date**”)
- Voting rights : The holder(s) of the Convertible Bonds shall not have any right to attend or vote in any general meeting of the Company
- Transferability : Subject to compliance with the GEM Listing Rules, the Convertible Bonds may be transferred or assigned in whole or in part in integral multiples of HK\$500,000 by the holder(s) of the Convertible Bonds to any party, save and except that the Convertible Bonds shall not be transferred to a connected person of the Company unless with the prior written consent of the Company
- Listing : No application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange. Application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Conversion Shares
- Security : The obligations of the Company under the Convertible Bonds are unsecured

Based on the Conversion Price of HK\$0.186 per Conversion Share, a maximum number of 489,247,311 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, which represent: (i) approximately 86.33% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 46.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds in full; and (iii) approximately 45.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares and the 2023 August Remaining CB Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds and the 2023 August Remaining CB in full.

The maximum aggregate nominal value of the Conversion Shares is HK\$48,924,731.1.

Conversion Price

The Conversion Price of HK\$0.186 per Conversion Share represents:

- (i) a premium of approximately 14.81% over the closing price of HK\$0.162 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (ii) a premium of approximately 14.81% over the average closing prices of HK\$0.162 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement.

The net Conversion Price, after deduction of relevant expenses, is approximately HK\$0.185 per Conversion Share.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber, taking into account of, among others, the recent trading performance of the Shares and the financial position of the Group. The Directors (excluding the members of the Independent Board Committee whose views are to be included in the circular to be despatched by the Company, after being advised by an Independent Financial Adviser) consider that the Conversion Price and the terms and conditions of the Subscription Agreement and the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mandate to issue the Conversion Shares

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Shareholders at the EGM.

Application for listing

Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No application will be made for listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon full conversion of the Convertible Bonds at the Conversion Price of HK\$0.186 (assuming that there are no other changes to the shareholding structure of the Company from the date of this announcement up to the full conversion of the Convertible Bonds); and (iii) immediately upon full conversion of the Convertible Bonds at the Conversion Price of HK\$0.186 and the 2023 August Remaining CB (assuming that there are no other changes to the shareholding structure of the Company from the date of this announcement up to the full conversion of the Convertible Bonds and the 2023 August Remaining CB) are as follows:

	(i) As at the date of this announcement		(ii) Immediately upon full conversion of the Convertible Bonds at the Conversion Price of HK\$0.186		(iii) Immediately upon full conversion of the Convertible Bonds at the Conversion Price of HK\$0.186 and the 2023 August Remaining CB	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
The Subscriber (<i>Note 1</i>)	136,755,500	24.13	626,002,811	59.28	626,002,811	58.42
Mr. Cheung Wai Yin, Wilson (<i>Note 2</i>)	5,578	0.01	5,578	0.01	5,578	0.01
Ms. Tsang Kwai Ping (<i>Note 3</i>)	900,000	0.16	900,000	0.09	900,000	0.08
Mr. Ann, Yu Chiu Andy (<i>Note 4</i>)	19,999,999	3.52	19,999,999	1.89	19,999,999	1.87
Holders of the 2023 August Remaining CB (<i>Note 5</i>)	—	—	—	—	15,631,110	1.46
Other public Shareholders	<u>409,067,869</u>	<u>72.18</u>	<u>409,067,869</u>	<u>38.73</u>	<u>409,067,869</u>	<u>38.16</u>
Total	<u>566,728,946</u>	<u>100.00</u>	<u>1,055,976,257</u>	<u>100.00</u>	<u>1,071,607,367</u>	<u>100.00</u>

Notes:

1. The Subscriber, being Team Sunny International Holdings Limited is owned as to 100% by Mr. Wong, whose is deemed to be interested in 136,755,500 Shares pursuant to the Part XV of the SFO.
2. Mr. Cheung Wai Yin, Wilson is an executive Director and personally interested in 5,578 Shares.
3. Ms. Tsang Kwai Ping is an executive Director and personally interested in 900,000 Shares.
4. Mr. Ann, Yu Chiu Andy is the director of NOIZChain Limited (a wholly-owned subsidiary of the Company) and personally interested in 19,999,999 Shares.
5. Upon Completion of the Subscription, the remaining outstanding principal amount of the 2023 August CB is HK\$14,068,000 with an initial conversion price of HK\$0.90.

FUND RAISING DURING THE PAST TWELVE MONTHS

Save as disclosed below, the Company had not conducted any fund raising activities involving issue of its securities in the past twelve months immediately preceding the date of this announcement.

Date of announcement	Event	Net proceeds and intended use of proceeds	Actual use of net proceeds
19 June 2022	Subscription of 15,000,000 Shares by Oriental Watch Holdings Limited under general mandate granted to the Directors at the extraordinary general meeting of the Company held on 17 December 2021	Approximately HK\$3,000,000 for the general working capital of NOIZChain Limited (a wholly-owned subsidiary of the Company)	Approximately HK\$1,350,000 has been utilized as intended as at the date of this announcement

INFORMATION OF THE GROUP

The Company is an investment holding company. As at the date of this announcement, the Group is principally engaged in (i) financial services business including securities brokerage services, provision of corporate finance advisory services, asset management business and money lending services; (ii) corporate consulting business including company secretarial services, accounting and financial reporting services and management consulting services; and (iii) digital platform business including Blockchain-as-a-Service that provides tailor made services and advice to businesses allowing them to use cloud-based solutions to manage and develop their applications and smart contracts without needing to develop and maintain their own blockchain environments.

INFORMATION OF THE SUBSCRIBER

The Subscriber, is wholly and ultimately owned by Mr. Wong, being the Chairman, an executive Director and the chief executive officer of the Company, is beneficially interested in 136,755,500 Shares, representing approximately 24.13% of the issued share capital of the Company, is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

REASONS FOR AND BENEFITS OF THE PROPOSED ISSUE OF THE CONVERTIBLE BONDS AND USE OF PROCEEDS

The Group has been loss making for the recent financial years and as noted from the annual report of the Company for the financial year ended 31 December 2021, the Group recorded a loss of approximately HK\$31 million and HK\$98 million for the financial year ended 31 December 2021 and 2020 respectively. As further set out in the interim report of the Company for the six months ended 30 June 2022 and the third quarterly report of the Company for the nine months ended 30 September 2022, the Group had a net liabilities position of approximately HK\$41 million as at 30 June 2022 and approximately HK\$26 million as at 30 September 2022, respectively. Given the Group's financial position, the Company was unable to obtain any debt financing at terms acceptable to the Company.

The 2023 May CB and 2023 August CB (collectively being the Existing Bonds) with an outstanding principal amount of HK\$38,805,651 and HK\$69,068,000 would mature in May 2023 and August 2023 respectively, and it is not expected that the Company would have sufficient internal resources to redeem all the Existing Bonds upon maturity. Taking into account the financial position of the Group and given the size of the outstanding principal amounts of the Existing Bonds (being an aggregate outstanding principal amount of HK\$107,873,651), the Directors consider that it is impracticable to secure third party financing on the terms that are favourable to the Company to settle them when they fall due.

In light of the current market circumstances, the Subscriber has no intention to exercise the conversion rights attached to the Existing Bonds the Subscriber held, taking into account of that the prevailing conversion price of the Existing Bonds per Share is significantly higher than the current market price per Share. As such the Company considers that the entering into of the Subscription Agreement would be an effective way to settle the Existing Bonds the Subscriber held and the lower Conversion Price would be an incentive for the Subscriber to convert the Convertible Bonds into Shares.

Having considered, among other things, the recent financial performance and financial position of the Group, the prevailing market prices and trading volume of the Shares alongside the recent market sentiment, it may not be favourable to the Company to conduct a fund raising exercise of substantial amount by way of issuing new Shares to Independent Third Party(ies) or to existing Shareholders on a pro rata basis (e.g. rights issue and open offer) where considerable discount to the market prices of the Shares would be required.

Given that the Subscriber holds the majority amount of the Existing Bonds (i.e. approximately 87% of the aggregate amount of the Existing Bonds), the Company has decided to negotiate with the Subscriber on the proposed settlement plan of the Existing Bonds the Subscriber held. As a result of the negotiations, the Company and the Subscriber agreed to settle the amount to be due under the Existing Bonds held by the Subscriber principally through entering into the Subscription Agreement.

No net proceeds will be received by the Company from the issue of the Convertible Bonds. The outstanding principal amount of the Existing Bonds held by the Subscriber at Completion will be principally settled through the issuance of the Convertible Bonds on the date of Completion. Accordingly, no immediate cash outflow will be incurred in the settlement of the principal amount of the Existing Bonds held by the Subscriber. As such, it provides more flexibility to the Company in its future cash management, and may be able to strengthen the capital base and reduce the short-term liability of the Company, and thus improve the financial position of the Company.

Hence, the Directors (excluding the members of the Independent Board Committee whose views are to be included in the circular to be despatched by the Company, after being advised by the Independent Financial Adviser) consider that the terms and conditions of the Subscription Agreement and the Convertible Bonds are fair and reasonable based on the current market conditions and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

The Subscriber, is wholly and ultimately owned by Mr. Wong, being the Chairman, an executive Director and the chief executive officer of the Company, is beneficially interested in 136,755,500 Shares, representing approximately 24.13% of the issued share capital of the Company, is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription constitutes a connected transaction on the part of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. In addition, the Convertible Bonds and the Conversion Shares will be issued under the Specific Mandate which is subject to Independent Shareholders' approval at the EGM. The EGM will be convened and held for the purposes of considering of, and if thought fit, approving, among other things, the Subscription, and the Specific Mandate to allot and issue the Conversion Shares.

Mr. Wong has abstained from voting on the resolutions in relation to Subscription Agreement proposed to the Board. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Subscription.

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors has been established to consider, and to advise the Independent Shareholders regarding the Subscription and the transactions contemplated thereunder, and as to whether the Subscription is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Vinco Financial has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve by way of poll, among other matters, the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate for the allotment and issue of the Conversion Shares).

The Subscriber and its associates, being interested in the transactions contemplated under the Agreement, shall abstain from voting for the resolution to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among others, (i) further details of the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the Conversion Shares under the Specific Mandate; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement; and (iv) a notice convening the EGM will be despatched by the Company to the Shareholders on or before 8 December 2022 so as to allow sufficient time for preparation of the relevant information for inclusion in the circular.

The Completion of the Subscription are subject to the fulfillment of the conditions precedent as set out in this announcement. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. If they are in any doubt, they should consult their professional advisers.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“2023 August CB”	the zero coupon convertible bonds due on 12 August 2023 issued by the Company on 12 August 2008 and with outstanding principal amount of HK\$69,068,000 as at the date of this announcement
“2023 August Remaining CB”	the 2023 August CB in an aggregate outstanding principal amount of HK\$14,068,000 held by Independent Third Parties
“2023 August Remaining CB Conversion Shares”	the Shares to be issued and allotted upon conversion of the 2023 August Remaining CB
“2023 May CB”	the zero coupon convertible bonds due on 21 May 2023 issued by the Company on 21 May 2020 and with outstanding principal amount of HK\$38,805,651 as at the date of this announcement
“Board”	board of Directors

“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which “extreme conditions” announced by the Government of Hong Kong or a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“Company”	Merdeka Financial Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM (stock code: 8163)
“Completion”	the completion of the Subscription under the Subscription Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Conversion Price”	the conversion price per Conversion Share of the Convertible Bonds
“Conversion Shares”	the Shares to be issued and allotted upon conversion of the Convertible Bonds as set out in the principal terms of the Convertible Bonds (subject to adjustments)
“Convertible Bonds”	the zero coupon convertible bonds due on 12 August 2024 in principal amount of HK\$91,000,000 to be issued by the Company to the Subscriber in accordance with the terms of the Subscription Agreement
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and approve the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate for the allotment and issue of the Conversion Shares
“Existing Bonds”	collectively, the 2023 May CB and the 2023 August CB
“GEM”	GEM of the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed to it in the GEM Listing Rules

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee comprising the independent non-executive Directors to advise the Independent Shareholders as to the fairness and reasonableness of the proposed Subscription and the transactions contemplated thereunder
“Independent Financial Adviser” or “Vinc Financial”	Vinco Financial Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription
“Independent Shareholders”	the Shareholders not required under the GEM Listing Rules to abstain from voting on the resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder including but not limited to the grant of the Specific Mandate for the allotment and issue of the Conversion Shares
“Independent Third Party(ies)”	third party(ies) independent of and not connected (as defined under the GEM Listing Rules) with the Company and connected person(s) of the Company
“Mr. Wong”	Mr. Wong Hin Shek, the sole beneficial owner of the Subscriber which is a substantial shareholder of the Company and interested in 136,755,500 Shares, representing approximately 24.13% of the issued share capital of the Company as the date of this announcement
“PRC”	People’s Republic of China which, and for the sole purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares

“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders at the EGM to allot and issue of the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Team Sunny International Holdings Limited, a company incorporated in the British Virgin Islands, which is the legal and beneficial owner of 136,755,500 Shares, and is wholly-owned by Mr. Wong
“Subscription”	the subscription of the Convertible Bonds under the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement entered into between the Company as issuer and the Subscriber in relation to the subscription of the Convertible Bonds
“Subscription Price”	the subscription price of HK\$91,000,000 pursuant to the Subscription Agreement
“%”	per cent.

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

Hong Kong, 14 November 2022

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 Stock Exchange’s website at <http://www.hkexnews.hk> 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>.