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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)**

### **DISCLOSEABLE TRANSACTION DISPOSAL OF TRADING BUSINESS**

#### **THE DISPOSAL**

The Board is pleased to announce that on 23 September 2022 (after trading hours), the Company, as the vendor, and the Purchaser, as the purchaser, entered into the Sale and Purchase Agreement, pursuant to which the Company agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, and the Sale Loan, for the Consideration of HK\$1.

Upon Completion, the Company no longer holds any interests in the Target Company and the Group ceases the operation of the trading business. Accordingly, the financial results of the Target Group will no longer be consolidated in the financial statements of the Group.

#### **GEM LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under the GEM Listing Rules.

## **INTRODUCTION**

On 23 September 2022 (after trading hours), the Company, as the vendor, and the Purchaser, as the purchaser, entered into the Sale and Purchase Agreement, pursuant to which the Company agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company and assign the Sale Loan, to the Purchaser for the Consideration of HK\$1.

A summary of the main terms of the Sale and Purchase Agreement are set out below.

## **THE SALE AND PURCHASE AGREEMENT**

Date : 23 September 2022 (after trading hours)

Parties : the Company as the vendor; and  
the Purchaser as the purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is an Independent Third Party.

### **Assets to be Disposed of**

Pursuant to the Sale and Purchase Agreement, the Company as the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company and Sale Loan, representing the sum of money due and owing by the Target Company to the Company as at Completion. For details of the Target Group, please refer to the section headed "INFORMATION ON THE TARGET GROUP".

As at the date of this announcement and as at Completion, the Sale Loan amounted to approximately HK\$110,914,000.

### **Consideration**

The consideration for the Disposal is HK\$1 has been settled in cash by the Purchaser to the Vendor upon Completion. The Consideration was determined based on arm's length negotiations between the Vendor and the Purchaser with reference to (i) the net liabilities position of the Target Group; and (ii) the financial performance and prospects of the business of the Target Group.

### **Completion**

Completion took place upon the execution of the Sale and Purchase Agreement on 23 September 2022.

Upon Completion, the Company no longer holds any interests in the Target Company and the Group ceases the operation of the trading business. Accordingly, the financial results of the Target Group will no longer be consolidated in the financial statements of the Group.

## INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands with limited liability in 2001 and is principally engaged in investment holding.

The Sole Subsidiary of the Target Company is a company incorporated in Hong Kong with limited liability in 2004 and is principally engaged in trading of goods, components and accessories in Hong Kong.

### Financial information of the Target Group

Set out below are the financial information of the Target Group, as extracted from its unaudited financial statements for the period from 1 January 2022 to 30 June 2022, and audited financial statements for the years ended 31 December 2021 and 2020 respectively:

	<b>For the period from 1 January 2022 to 30 June 2022 (unaudited) (Approx.'000)</b>	<b>For the year ended 31 December 2021 (audited) (Approx.'000)</b>	<b>For the year ended 31 December 2020 (audited) (Approx.'000)</b>
Revenue	2,534	3,344	10,331
Profit/(loss) before income tax	(518)	78,371 <sup>(Note)</sup>	(74,773)
Profit/(loss) after income tax	(518)	78,371 <sup>(Note)</sup>	(74,773)

*Note:* The profit before and after income tax for the year ended 31 December 2021 included an one off gain on deconsolidation of subsidiaries of approximately HK\$78,771,000 (“**One Off Gain**”). Should the One Off Gain be excluded, the Target Group recorded a loss before and after income tax of approximately HK\$400,000 for the year ended 31 December 2021.

The Target Group had unaudited consolidated net liabilities of approximately HK\$114 million as at 30 June 2022.

Subject to final audit, the Group is expected to record a gain of approximately HK\$2.7 million on the Disposal, which is calculated by reference to the unaudited carrying value of the Target Group as at 30 June 2022.

## **INFORMATION ON THE COMPANY, THE GROUP, AND THE PURCHASER**

### **The Company and 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) provision of 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.

### **The Purchaser**

The Purchaser is a merchant. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser is an Independent Third Party.

## **REASONS FOR THE DISPOSAL AND INTENDED USE OF PROCEEDS**

The major customers of Target Group were from the PRC. Since early 2020, the outbreak of novel coronavirus (“COVID-19”), the overall sales of the Target Group has declined significantly as Hong Kong’s Department of Health has introduced the compulsory quarantine arrangement to persons arriving at Hong Kong from foreign places since early March 2020, and noticed the public should go out less and reduce social activities, and maintain appropriate social distance with other people as far as possible.

The Target Group has taken various proactive measures, including but not limited to, developing an online platform of trading of goods, components and accessories, to minimise the impact of COVID-19 on the trading business operation. However, the financial performance of the trading business continued to be sluggish.

Having taken into account that i) the gross profit margin of trading business continued to be thin; ii) the trading business was suffering loss for years; iii) the Target Group was in net liabilities position and iv) the travel restrictions continued to be implemented and were not lifted completely, the Board decided to seek exit opportunities and the Disposal is an opportunity for the Group to (i) reduce overhead costs and avoid incurring further losses; (ii) reallocate more resources on the remaining businesses of the Group; and (iii) recognise a gain on disposal of approximately HK\$2.7 million upon Completion.

Taking into account the aforementioned, the Board considers the Disposal is in the interests of the Company and the Shareholders as a whole.

There were no net proceeds from the Disposal after deducting the relevant expenses.

## **GEM LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio calculated pursuant to Chapter 19 of the GEM Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal therefore constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

## **DEFINITIONS**

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

“Board”	board of Directors
“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 Disposal under the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the total consideration for the sale and purchase of the Sale Shares and the Sale Loan, being the amount payable by the Purchaser to the Company in accordance with the Sale and Purchase Agreement
“Disposal”	the disposal of the Sale Shares and Sale Loan pursuant to the terms and conditions of the Sale and Purchase Agreement
“Director(s)”	director(s) of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“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
“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
“Purchaser”	Dun Yik Hung, an Independent Third Party
“Sale and Purchase Agreement”	the sale and purchase agreement dated 23 September 2022 entered into between the Vendor and the Purchaser in respect of the Disposal
“Sale Loan”	all such sum of money due and owing by the Target Company to the Company as at Completion
“Sale Shares”	entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.1 each of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sole Subsidiary”	Source Easy Limited (源易通有限公司), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company immediately prior to Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	End User Investments Limited, a limited liability company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company immediately prior to Completion
“Target Group”	the Target Company and the Sole Subsidiary
“Vendor”	the Company
“%”	per cent.

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

Hong Kong, 23 September 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 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>.*