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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)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

CHARACTERISTICS OF GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

*This announcement, for which the directors (the “**Director(s)**”) of Merdeka Financial Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (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.*

RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Merdeka Financial Group Limited (the “**Company**”) hereby announces that the audited annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2020, together with comparative figures from the previous corresponding year, summarised as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	4.1	39,861	482,705
Cost of sales		<u>(9,496)</u>	<u>(465,767)</u>
Gross profit		30,365	16,938
Other income and gains or (losses)	5	(2,970)	2,496
Operating expenses		(24,306)	(23,068)
Administrative expenses		(15,170)	(13,539)
Impairment loss on intangible assets		(1,600)	(1,205)
Impairment loss on trade receivables	16	(1,592)	(4,496)
Reversal of impairment loss/(impairment loss) on deposits and other receivables	17	8,509	(2,005)
Impairment loss on loans receivable	18	(240)	—
Impairment loss on finance lease receivables	19	(78,049)	(77,458)
Gain on disposal of subsidiaries	29(b)&(c)	—	533
Gain on deregistration of subsidiaries	29(a),(d)&(e)	1,057	1,204
Finance costs	6	<u>(13,315)</u>	<u>(13,292)</u>
LOSS BEFORE INCOME TAX	7	(97,311)	(113,892)
Income tax (expense)/credit	8	<u>(471)</u>	<u>471</u>
LOSS FOR THE YEAR		<u>(97,782)</u>	<u>(113,421)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (Continued)**

For the year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other comprehensive income:			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(3,413)	(3,002)
Release of exchange reserve upon disposal/deregistration of subsidiaries	<i>29(c)&(d)</i>	—	132
<i>Item that will not be subsequently reclassified to profit or loss:</i>			
Changes in fair value of financial assets at fair value through other comprehensive income	<i>14</i>	<u>698</u>	<u>32</u>
Other comprehensive income for the year		<u>(2,715)</u>	<u>(2,838)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(100,497)</u>	<u>(116,259)</u>
Loss for the year attributable to:			
Owners of the Company		(71,711)	(84,110)
Non-controlling interests		<u>(26,071)</u>	<u>(29,311)</u>
		<u>(97,782)</u>	<u>(113,421)</u>
Total comprehensive income attributable to:			
Owners of the Company		(73,840)	(85,704)
Non-controlling interests		<u>(26,657)</u>	<u>(30,555)</u>
		<u>(100,497)</u>	<u>(116,259)</u>
LOSS PER SHARE TO OWNERS OF THE COMPANY			(Restated)
Basic and diluted	<i>10</i>	<u>(HK\$0.08)</u>	<u>(HK\$0.23)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		750	1,891
Statutory deposit		510	510
Goodwill	<i>11</i>	5,470	5,470
Intangible assets	<i>12</i>	3,622	5,450
Right-of-use assets	<i>13</i>	3,630	8,706
Financial assets at fair value through other comprehensive income	<i>14</i>	2,730	2,032
Financial assets at fair value through profit or loss	<i>15</i>	487	—
Total non-current assets		<u>17,199</u>	<u>24,059</u>
Current assets			
Inventories		377	485
Trade receivables	<i>16</i>	15,253	29,888
Prepayments, deposits and other receivables	<i>17</i>	8,339	14,479
Loans receivable	<i>18</i>	11,032	—
Finance lease receivables	<i>19</i>	—	81,071
Financial assets at fair value through profit or loss	<i>15</i>	1,010	—
Bank balances — trust accounts		27,378	31,651
Bank balances and cash — general accounts		27,610	15,454
Total current assets		<u>90,999</u>	<u>173,028</u>
Current liabilities			
Borrowings	<i>20</i>	851	4,884
Lease liabilities	<i>21</i>	3,354	5,003
Convertible bonds	<i>22</i>	—	116,344
Promissory note	<i>23</i>	—	8,005
Trade payables	<i>24</i>	40,864	60,183
Other payables and accruals	<i>25</i>	42,801	106,721
Tax payables		559	341
Total current liabilities		<u>88,429</u>	<u>301,481</u>
Net current assets/(liabilities)		<u>2,570</u>	<u>(128,453)</u>
Total assets less current liabilities		<u>19,769</u>	<u>(104,394)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 31 December 2020*

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		598	1,128
Convertible bonds	<i>22</i>	73,872	—
Lease liabilities	<i>21</i>	<u>—</u>	<u>3,842</u>
Total non-current liabilities		<u>74,470</u>	<u>4,970</u>
Net liabilities		<u>(54,701)</u>	<u>(109,364)</u>
EQUITY			
Share capital	<i>26</i>	13,232	2,622
Reserves		<u>(76,015)</u>	<u>(146,725)</u>
Equity attributable to owners of the Company		(62,783)	(144,103)
Non-controlling interests		<u>8,082</u>	<u>34,739</u>
Total deficiency		<u>(54,701)</u>	<u>(109,364)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on GEM. Its registered office is located at the offices of Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is located at Room 1108, 11/F, Wing On Centre, 111 Connaught Road Central, Central, Hong Kong.

During the year ended 31 December 2020, the principal activity of the Company was investment holding. The principal activities of the subsidiaries comprised of financial services business, corporate consulting business, trading business and information technology business.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules. The adoption of new and revised HKFRSs and the impacts on the Group’s consolidated financial statements, if any, are disclosed in note 3.

The consolidated financial statements have been prepared under historical cost convention except for certain financial instruments which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (“**HK\$’000**”) except when otherwise indicated.

In preparing the consolidated financial statements, the Directors have given consideration to the future liquidity of the Group in light of the Group incurred a net loss of approximately HK\$97,782,000 for the year ended 31 December 2020 and, as of that date, the Group had net liabilities of approximately HK\$54,701,000 as at 31 December 2020.

2. BASIS OF PREPARATION (Continued)

These conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The consolidated financial statements have been prepared on a going concern basis as the Directors are satisfied that the liquidity of the Group can be maintained in the coming year taking into consideration of the following matter:

- An undertaking has been obtained from a creditor for not to demand repayment of debt due from the Group within twelve months under the condition that the Group uses its best endeavors to source additional funding for the repayment of the balance. The Group has sufficient financial resources to satisfy its future working capital and other financial requirements.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for future liabilities which might arise and to reclassify non-current assets and non-current liabilities to current respectively. The effect of these adjustments has not been reflected in the consolidated financial statements. The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

(a) Adoption of new/revised HKFRSs

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(a) Adoption of new/revised HKFRSs *(Continued)*

Other than the amendments to HKFRS 3, none of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period. Impact on the applications of these amended HKFRSs are summarised below.

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴
Amendments to HKAS 16	Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concession ⁶
Amendments to HKFRS Standards	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 January 2023.

⁵ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

⁶ Effective for annual periods beginning on or after 1 June 2020.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The Directors do not anticipate that the application of the amendments and revision in the future will have an impact on the Group’s consolidated financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The Directors are currently assessing the impact that the application of the amendments will have on the Group’s consolidated financial statements.

Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Directors are currently assessing the impact that the application of the amendments will have on the Group’s consolidated financial statements.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Interpretation 21 Levies, the acquirer applies HK(IFRIC)-Interpretation 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transaction arise.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Annual Improvements to HKFRSs 2018–2020

The annual improvements amend a number of standards, including:

- HKFRS 1, First-time Adoption of HKFRSs, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarify the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the Group’s consolidated financial statements.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “**Reform**”). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the Group’s consolidated financial statements.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

4. REVENUE AND SEGMENT REPORTING

- 4.1 Revenue represents income from financial services operations, income from corporate consulting operations and the amounts received and receivable for goods sold to outside customers, net of returns and discounts during the year.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Financial services business	21,782	11,817
Corporate consulting business	7,748	8,912
Trading business	<u>10,331</u>	<u>461,976</u>
	<u><u>39,861</u></u>	<u><u>482,705</u></u>

4.2 Segment reporting

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The chief operating decision-maker has been identified as the Company's executive directors.

The Group currently has four reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies as follows:

There were no inter-segment transactions between different operating segments for the year (2019: Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision-maker for assessment of segment performance.

- (a) The financial services business includes the securities brokerage business, provision of corporate finance advisory services, asset management business, money lending business and financial leasing business;
- (b) The corporate consulting business segment is engaged in the provision of company secretarial services, accounting and financial reporting services and management consulting services;
- (c) The trading business segment is engaged in the trading of goods, components and accessories; and
- (d) The information technology business segment is engaged in distributorship of information technology products and the provision of relevant technical support services.

4. REVENUE AND SEGMENT REPORTING *(Continued)*

4.2 Segment reporting *(Continued)*

(b) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

For the year ended 31 December 2020

<i>HK\$'000</i>	Financial services business	Corporate consulting business	Trading business	Information technology business	Total
Segment revenue	<u>21,782</u>	<u>7,748</u>	<u>10,331</u>	<u>—</u>	<u>39,861</u>
Segment profit/(loss)	<u>4,538</u>	<u>1,159</u>	<u>(664)</u>	<u>(16)</u>	5,017
Finance costs					(13,059)
Gain on deregistration of subsidiaries					1,057
Reversal of impairment loss on deposits and other receivables					8,509
Impairment loss on finance lease receivables					(78,049)
Unallocated corporate expenses <i>(Note)</i>					<u>(20,786)</u>
Loss before income tax					<u>(97,311)</u>

4. REVENUE AND SEGMENT REPORTING *(Continued)*

4.2 Segment reporting *(Continued)*

(b) Segment revenue and results (Continued)

For the year ended 31 December 2019

<i>HK\$'000</i>	Financial services business	Corporate consulting business	Trading business	Information technology business	Total
Segment revenue	<u>11,817</u>	<u>8,912</u>	<u>461,976</u>	<u>—</u>	<u>482,705</u>
Segment (loss)/profit	<u>(11,158)</u>	<u>2,583</u>	<u>(2,866)</u>	<u>(743)</u>	(12,184)
Finance costs					(12,659)
Gain on disposal of subsidiaries					533
Gain on deregistration of subsidiaries					1,204
Impairment loss on finance lease receivables					(77,458)
Unallocated corporate expenses <i>(Note)</i>					<u>(13,328)</u>
Loss before income tax					<u>(113,892)</u>

Note: Unallocated corporate expenses mainly included staff salaries, directors' remuneration and office rental expenses for the years ended 31 December 2020 and 2019.

4. REVENUE AND SEGMENT REPORTING (Continued)

4.2 Segment reporting (Continued)

(c) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Segment assets		
Financial services business	69,705	159,790
Corporate consulting business	11,710	11,633
Trading business	6,400	12,163
	<hr/>	<hr/>
Total segment assets	87,815	183,586
Unallocated bank balances and cash	11,309	119
Unallocated corporate assets	9,074	13,382
	<hr/>	<hr/>
Consolidated total assets	108,198	197,087
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Financial services business	44,034	65,901
Corporate consulting business	973	3,442
Trading business	3,415	8,398
Information technology business	19	765
	<hr/>	<hr/>
Total segment liabilities	48,441	78,506
Convertible bonds	73,872	116,344
Promissory notes	—	8,005
Unallocated corporate liabilities	40,586	103,596
	<hr/>	<hr/>
Consolidated total liabilities	162,899	306,451
	<hr/> <hr/>	<hr/> <hr/>

4. REVENUE AND SEGMENT REPORTING (Continued)

4.2 Segment reporting (Continued)

(d) Other segment information

For the year ended 31 December 2020

	Financial services business HK\$'000	Corporate consulting business HK\$'000	Trading business HK\$'000	Information technology business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (other than financial assets)	—	—	—	—	65	65
Depreciation of property, plant and equipment	(78)	(3)	—	—	(839)	(920)
Depreciation of right-of-use assets	(914)	(1,479)	(522)	—	(1,952)	(4,867)
Amortisation of intangible assets	—	(228)	—	—	—	(228)
(Impairment loss)/reversal of impairment loss on trade receivables	(1,000)	(824)	232	—	—	(1,592)
Impairment loss on loans receivable	(240)	—	—	—	—	(240)
Impairment loss on intangible assets	(1,600)	—	—	—	—	(1,600)
Amounts regularly provided to the chief operating decision-maker but not included in the measure of segment profit or loss:						
Reversal of impairment loss/ (impairment loss) on deposits and other receivables	14	(1)	(207)	—	8,703	8,509
Impairment loss on finance lease receivables	(78,049)	—	—	—	—	(78,049)
Gain on deregistration of subsidiaries	993	—	64	—	—	1,057

4. REVENUE AND SEGMENT REPORTING (Continued)

4.2 Segment reporting (Continued)

(d) Other segment information (Continued)

For the year ended 31 December 2019

	Financial services business <i>HK\$'000</i>	Corporate consulting business <i>HK\$'000</i>	Trading business <i>HK\$'000</i>	Information technology business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (other than financial assets)	—	20	—	—	354	374
Depreciation of property, plant and equipment	(354)	(17)	—	—	(780)	(1,151)
Depreciation of right-of-use assets	(1,329)	(1,232)	(593)	—	(1,790)	(4,944)
Amortisation of intangible assets	—	(190)	—	—	—	(190)
Impairment loss on trade receivables	(1)	(2,036)	(2,459)	—	—	(4,496)
Impairment loss on prepayments, deposits and other receivables	(648)	—	(69)	(697)	(591)	(2,005)
Impairment loss on intangible assets	(1,205)	—	—	—	—	(1,205)
Amounts regularly provided to the chief operating decision-maker but not included in the measure of segment profit or loss:						
Impairment loss on finance lease receivables	(77,458)	—	—	—	—	(77,458)
Gain on disposal of subsidiaries	—	—	—	360	173	533
(Loss)/gain on deregistration of subsidiaries	—	(6)	—	(1,397)	2,607	1,204
	<u>—</u>	<u>(6)</u>	<u>—</u>	<u>(1,397)</u>	<u>2,607</u>	<u>1,204</u>

4. REVENUE AND SEGMENT REPORTING (Continued)

4.2 Segment reporting (Continued)

(e) Geographical information

The Group's operations are mainly located in Hong Kong (Place of domicile) and the People's Republic of China (the "PRC").

The Group's revenue from external customers and information about its non-current assets (other than financial assets) by geographical markets are detailed as below:

	Revenue from external customers		Non-current assets	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	39,861	473,654	13,982	21,667
PRC	—	9,051	—	360
	<u>39,861</u>	<u>482,705</u>	<u>13,982</u>	<u>22,027</u>

The geographical location of customers is based on the location at which the goods and services are delivered. For goodwill and intangible assets, the geographical location is based on the areas of operation. The geographical location of other non-current assets is based on the physical location of the assets.

(f) Major customers

Revenue from a customer contributing over 10% of the total turnover of the Group is as follow:

	Year ended 31 December	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A — financial services business	7,036	N/A
Customer B — trading business	<u>N/A</u>	<u>405,545</u>

5. OTHER INCOME AND GAINS OR (LOSSES)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	15	59
Other operating income	870	1,008
Changes in fair value of financial assets at fair value through profit or loss	(655)	(233)
Gain on modification of terms of convertible bonds	2,502	—
Derecognition of other payable and promissory note	(1,702)	—
Loss on redemption of convertible bonds	(2,444)	—
Written off of other receivables	(4,400)	—
Gain on disposal of property, plant and equipment	56	—
Written off of property, plant and equipment	(252)	—
Government grants (<i>Note</i>)	2,175	—
Sundry income	865	1,662
	<u>865</u>	<u>1,662</u>
	<u>(2,970)</u>	<u>2,496</u>

Note: Government grants represented the subsidies received from the local government in support of the business operation. There were no unfulfilled conditions or contingencies relating to these subsidies.

6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Imputed interest on convertible bonds (<i>Note</i>)	12,136	10,693
Imputed interest on promissory note	128	600
Coupon interest on promissory note	27	133
Interest on bank borrowings	90	2,725
Interest on bank overdrafts	59	—
Interest on other payables	678	933
Interest on lease liabilities	197	581
	<u>197</u>	<u>581</u>
	13,315	15,665
Less: Interest on bank borrowings included in cost of sales for financial services business	—	(2,373)
	<u>—</u>	<u>(2,373)</u>
	<u>13,315</u>	<u>13,292</u>

Note: It represents the imputed interest on the liability component of the convertible bonds for both years.

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(a) Staff costs (including directors' emoluments):		
Salaries, wages and other benefits	17,718	15,144
Pension scheme contributions	611	754
Share-based payment expense	102	—
	<u>18,431</u>	<u>15,898</u>
(b) Other items:		
Auditors' remuneration	920	920
Depreciation expenses in respect of:		
Property, plant and equipment	920	1,151
Right-of-use assets	4,867	4,944
Amortisation of intangible assets	228	190
Impairment loss on intangible assets	1,600	1,205
Impairment loss on trade receivables	1,592	4,496
(Reversal of impairment loss)/impairment loss on deposits and other receivables	(8,509)	2,005
Impairment loss on loans receivable	240	—
Impairment loss on finance lease receivables	78,049	77,458
	<u><u>78,049</u></u>	<u><u>77,458</u></u>

8. INCOME TAX EXPENSE/(CREDIT)

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities in Hong Kong that are not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The subsidiaries established in the PRC are subject to enterprise income tax at tax rates of 25% for both years ended 31 December 2020 and 2019.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax		
Hong Kong profits tax:		
— Tax for the year	1,001	574
PRC enterprise income tax:		
— Over provision in respect of prior years	—	(1,045)
Deferred tax	(530)	—
	<u><u>471</u></u>	<u><u>(471)</u></u>

8. INCOME TAX EXPENSE/(CREDIT) (Continued)

Income tax for the year can be reconciled to the loss before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss before income tax	<u>(97,311)</u>	<u>(113,892)</u>
Tax calculated at the domestic rate of 16.5% (2019: 16.5%)	(16,056)	(18,792)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(6,281)	(459)
Effect of two-tiered profit tax rate require	(165)	(165)
Tax effect of income not taxable for tax purpose	(1,121)	(11,973)
Tax effect of expenses not deductible for tax purposes	23,701	29,997
Tax effect of tax losses not recognised	393	1,986
Over provision in respect of prior years	—	(1,045)
Others	<u>—</u>	<u>(20)</u>
Total income tax/(expense credit)	<u><u>471</u></u>	<u><u>(471)</u></u>

As at 31 December 2020, the Group has unused tax losses of approximately HK\$392,485,000 (2019: HK\$390,383,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

9. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

10. LOSS PER SHARE

The calculation of basic and diluted loss per share based on the following data:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	<u>(71,711)</u>	<u>(84,110)</u>
	Number of shares	
	2020	2019
	<i>'000</i>	<i>'000</i>
		(Restated)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>867,430</u>	<u>371,788</u>

The calculation of basic and diluted loss per share is based on the loss attributable to ordinary equity shareholders of the Company, and the weighted average number of 867,430,000 (2019: 371,788,000 adjusted for the effect of the bonus element of the right issue on 22 June 2020) ordinary shares in issue.

The computation of diluted loss per share does not assume the exercise of the Company's share options and conversion option of convertible bonds because the exercise prices of those options were higher than the average market price for both 2020 and 2019.

Pursuant to an ordinary resolution passed in the extraordinary general meeting of the Company held on 15 August 2019, every ten ordinary shares of HK\$0.001 each in the issued and unissued share capital of the Company were consolidated into one consolidated ordinary share of HK\$0.01 each in the issued and unissued share capital of the Company. As a result of the share consolidation, the weighted average number of ordinary shares adopted in the calculation of the basic and diluted loss per share for the year ended 31 December 2019 have been adjusted retrospectively.

11. GOODWILL

HK\$'000

COST:

At 1 January 2019	5,803
Acquired through acquisition of subsidiaries (<i>Note 27</i>)	<u>5,470</u>

At 31 December 2019, 1 January 2020 and 31 December 2020 11,273

ACCUMULATED IMPAIRMENT LOSSES:

At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	<u>5,803</u>
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NET CARRYING AMOUNT:

At 31 December 2020	<u><u>5,470</u></u>
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At 31 December 2019	<u><u>5,470</u></u>
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For the purpose of impairment testing, goodwill is allocated to the cash generating units (“CGU”) identified as follows:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Corporate consulting business	5,470	5,470
Financial services business	<u>5,803</u>	<u>5,803</u>
	<u>11,273</u>	<u>11,273</u>

11. GOODWILL (Continued)

Notes:

Corporate consulting business

The goodwill was arising from the acquisition of corporate consulting business in the financial year of 2019. The carrying amount of goodwill is HK\$5,470,000 as at 31 December 2020 and 2019.

For the year ended 31 December 2020, the recoverable amount of the cash generating unit of corporate consulting business (the “**Corporate Consulting Business CGU**”) is determined by the Directors with reference to a valuation report issued by an independent qualified valuer. The recoverable amount of the Corporate Consulting Business CGU has been determined from value-in-use calculation. The calculation used cash flow projections based on latest financial budgets approved by the management covering a period of 5 years and at a pre-tax discount rate of 16.27% (2019: 17.19%). The cash flow projections beyond the 5 years periods are extrapolated using a growth rate at 2% (2019: 2%). Cash flow projections during the budget period are based on past performance and the Group management’s expectations for the market development and future performance of the Corporate Consulting Business CGU. The discount rate is determined based on the cost of capital adjusted by the specific risk associated with the Corporate Consulting Business CGU. As the recoverable amount of the Corporate Consulting Business CGU is higher than its carrying amount, the Directors are in opinion that no impairment loss was considered for the year ended 31 December 2020 (2019: Nil).

Financial services business

The goodwill was arising from the acquisition of financial services business in the previous years. Full impairment loss had been recognised in the previous year. The carrying amount of goodwill is nil as at 31 December 2020 and 2019.

12. INTANGIBLE ASSETS

	Trading right (Note (a)) HK\$'000	Customer relationship (Note (b)) HK\$'000	Total HK\$'000
COST:			
At 1 January 2019	5,705	—	5,705
Acquired through acquisition of subsidiaries (Note 27)	—	1,140	1,140
	<u>5,705</u>	<u>1,140</u>	<u>6,845</u>
At 31 December 2019, 1 January 2020 and 31 December 2020	<u>5,705</u>	<u>1,140</u>	<u>6,845</u>
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:			
At 1 January 2019	—	—	—
Impairment loss for the year	1,205	—	1,205
Amortisation for the year	—	190	190
	<u>1,205</u>	<u>190</u>	<u>1,395</u>
At 31 December 2019 and 1 January 2020	1,205	190	1,395
Impairment loss for the year	1,600	—	1,600
Amortisation for the year	—	228	228
	<u>2,805</u>	<u>418</u>	<u>3,223</u>
At 31 December 2020	<u>2,805</u>	<u>418</u>	<u>3,223</u>
NET CARRYING AMOUNT:			
At 31 December 2020	<u>2,900</u>	<u>722</u>	<u>3,622</u>
At 31 December 2019	<u>4,500</u>	<u>950</u>	<u>5,450</u>

Notes:

- (a) Trading right have indefinite useful life and therefore no amortisation has been provided. The recoverable amount of the trading right is determined by the Directors with reference to a valuation report issued by an independent qualified valuer. The recoverable amount of the trading right has been determined by fair value less cost of disposal, which is primarily making reference to the recent sales of similar transactions in the market. As the recoverable amount of trading right is lower than its carrying amount, the Directors are in opinion that an impairment loss of HK\$1,600,000 has been recognised for the year ended 31 December 2020 (2019: HK\$1,205,000).
- (b) Customer relationship was arising from the acquisition of corporate consulting business in the financial year of 2019. Details of the acquisition of subsidiaries are set out in Note 27.

Customer relationship of HK\$1,140,000 represented the intangible assets arose from the acquisition of corporate consulting business and was valued as of the respective date of acquisition by an independent qualified valuer on the basis of the excess earnings method under the income approach. The management of the Group considered customer relationship has finite useful lives and is amortised on a straight-line basis over 5 years.

13. RIGHT-OF-USE ASSETS

HK\$'000

COST:

Recognition upon initial application of HKFRS 16	11,171
Acquired through acquisition of subsidiaries (<i>Note 27</i>)	3,943
Exchange realignment	(18)
	<hr/>
At 31 December 2019 and 1 January 2020	15,096
Lease modification	(1,832)
Exchange realignment	21
	<hr/>
At 31 December 2020	<u>13,285</u>

ACCUMULATED DEPRECIATION:

Depreciation recognised upon initial application of HKFRS 16	1,463
Depreciation for the year	4,944
Exchange realignment	(17)
	<hr/>
At 31 December 2019 and 1 January 2020	6,390
Depreciation for the year	4,867
Lease modification	(1,623)
Exchange realignment	21
	<hr/>
At 31 December 2020	<u>9,655</u>

NET CARRYING AMOUNT:

At 31 December 2020	<u>3,630</u>
At 31 December 2019	<u>8,706</u>

The right-of-use assets represent the Group's right to use underlying leased premises under operating lease arrangements over the lease terms, which are stated at cost less accumulated depreciation, and adjusted for any remeasurement of the lease liabilities.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On 16 August 2019 the Group acquired 10% of the issue share capital of a private company as financial asset at fair value through other comprehensive income at cash consideration of HK\$2,000,000. As at 31 December 2020, the Group's shareholding in this private company was diluted to approximately 9.55% (31 December 2019: approximately 9.9%) due to further allotment of shares of the private company to investors and the carrying amount of financial asset at fair value through other comprehensive income is HK\$2,730,000 (2019: HK\$2,032,000). The increase in fair value of this financial asset of approximately HK\$698,000 has been dealt with in other comprehensive income and fair value through other comprehensive income reserve for the year ended 31 December 2020 (2019: HK\$32,000).

15. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Investment in a private company (<i>Note (a)</i>)	487	—
Listed equity instrument in Hong Kong at market value (<i>Note (b)</i>)	<u>1,010</u>	<u>—</u>
	1,497	—
Less: Non-current portion	<u>(487)</u>	<u>—</u>
Current portion	<u><u>1,010</u></u>	<u><u>—</u></u>

Notes:

- (a) On 29 October 2020, the Group entered into a simple agreement for future equity with a private company to grant to the Group the future right for certain shares of the private company at a consideration of USD150,000 (equivalent to approximately HK\$1,170,000). The right is classified as financial asset at fair value through profit or loss. The decrease in fair value of this financial asset of HK\$683,000 has been recognised in profit or loss for the year ended 31 December 2020.
- (b) Fair value of the listed equity instrument has been determined by reference to its quoted market price at the reporting date in an active market. Fair value of the listed trading portfolio investment is Level 1 recurring fair value measurement. The increase in fair value of this financial asset of HK\$28,000 has been recognised in profit or loss for the year ended 31 December 2020.

16. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	23,503	36,546
Less: Provision for impairment losses	<u>(8,250)</u>	<u>(6,658)</u>
	<u><u>15,253</u></u>	<u><u>29,888</u></u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally two months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has credit control procedures established to monitor credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

The settlement term of trade receivables arising from the business of dealing securities is two business days after trade date ("T+2").

Trade receivable from cash clients related to a wide range of customers for whom there was no recent history of default. Based on the past experience, current assessment and the available forward-looking information, the management believes that no additional impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

16. TRADE RECEIVABLES *(Continued)*

Trade receivables from Hong Kong Securities Clearing Company Limited (“HKSCC”) is current which represents pending trades arising from the financial business of securities dealing and are normally due on “T+2” day in accordance with the requirements of HKSCC.

Details of trade receivables as at the end of reporting period, are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables from financial services business other than dealing in securities	1,085	1,249
Trade receivables from corporate consulting business	1,112	920
Trade receivables from trading business	227	140
	<u>2,424</u>	<u>2,309</u>
Trade receivables from the business of dealing in securities		
— Cash clients	294	—
— HKSCC	229	27,579
— Brokers	12,306	—
	<u>12,829</u>	<u>27,579</u>
	<u>15,253</u>	<u>29,888</u>

An ageing analysis of the trade receivables arising from business other than dealing in securities as at the end of the reporting period, based on the invoice date and net of impairment losses, are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	1,306	590
31 to 60 days	410	312
61 to 120 days	151	978
Over 120 days	557	429
	<u>2,424</u>	<u>2,309</u>

16. TRADE RECEIVABLES (Continued)

The movement in the expected credit loss for trade receivables for the years ended 31 December 2020 and 2019 are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	6,658	5,217
Written off of trade receivables	—	(3,055)
Expected credit loss for the year	1,592	4,496
	<hr/>	<hr/>
At 31 December	8,250	6,658
	<hr/> <hr/>	<hr/> <hr/>

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Prepayments	354	550
Trade deposit	5,776	6,205
Deposits and other receivables	56,951	70,965
	<hr/>	<hr/>
	63,081	77,720
Less: Provision for impairment losses	(54,742)	(63,241)
	<hr/>	<hr/>
	8,339	14,479
	<hr/> <hr/>	<hr/> <hr/>

The movements in the expected credit loss for the deposits and other receivables for the years ended 31 December 2020 and 2019 are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	63,241	65,264
(Reversal of expected credit loss)/expected credit loss for the year	(8,509)	2,005
Exchange realignment	10	(4,028)
	<hr/>	<hr/>
At 31 December	54,742	63,241
	<hr/> <hr/>	<hr/> <hr/>

18. LOANS RECEIVABLE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Gross loan and interest receivables	11,272	—
Less: Provision for impairment loss	<u>(240)</u>	<u>—</u>
	<u><u>11,032</u></u>	<u><u>—</u></u>

Note:

As at 31 December 2020, loans receivable with gross principal amount of HK\$11,204,000 (2019: Nil) in aggregate and related gross interest receivables of HK\$68,000 (2019: Nil) were due from three independent third parties. These loans are interest-bearing at rates ranging from 10% to 15% per annum and was repayable within twelve months from the end of the reporting period and therefore were classified as current assets as at 31 December 2020.

As at 31 December 2020, the Group hold collateral over loans receivable with gross principal amount of HK\$6,000,000 (2019: Nil). Impairment loss of HK\$240,000 (2019: Nil) has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020.

The movements in the expected credit loss for loans receivable for the years ended 31 December 2020 and 2019 are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	—	—
Expected credit loss for the year	<u>240</u>	<u>—</u>
At 31 December	<u><u>240</u></u>	<u><u>—</u></u>

Reconciliation of gross carrying amount for loans receivable for the year ended 31 December 2020 is as follows:

	Stage 1 <i>HK\$'000</i>
At 1 January 2020	—
New loans originated	<u>11,272</u>
At 31 December 2020	<u><u>11,272</u></u>

18. LOANS RECEIVABLE (Continued)

The movements in the expected credit loss in respect of loans receivable for the year ended 31 December 2020 is as follows:

	Stage 1 HK\$'000
At 1 January 2020	—
Expected credit loss for the year	<u>240</u>
At 31 December 2020	<u><u>240</u></u>

19. FINANCE LEASE RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Current finance lease receivables	168,518	158,529
Less: Provision for impairment losses	<u>(168,518)</u>	<u>(77,458)</u>
	<u>—</u>	<u>81,071</u>

	Minimum lease payment		Present value of minimum lease payment	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Within one year	182,899	172,059	168,518	158,529
Unearned finance income	<u>(14,381)</u>	<u>(13,530)</u>	<u>N/A</u>	<u>N/A</u>
Present value of minimum lease payment	168,518	158,529	168,518	158,529
Less: Provision for impairment losses	<u>(168,518)</u>	<u>(77,458)</u>	<u>(168,518)</u>	<u>(77,458)</u>
	<u>—</u>	<u>81,071</u>	<u>—</u>	<u>81,071</u>

The interest rate inherent in the leases was fixed at the contract date for the entire lease term. The interest rates of the above finance leases range is 5.83% per annum (2019: 4.81% to 9.40%).

Finance lease receivable balances are secured over the equipment held by the lessee. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

Impairment loss of HK\$78,049,000 (2019: HK\$77,458,000) has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020.

19. FINANCE LEASE RECEIVABLES (Continued)

The movements in the expected credit loss for the finance lease receivables for the years ended 31 December 2020 and 2019 are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	77,458	—
Expected credit loss for the year	78,049	77,458
Exchange realignment	13,011	—
	<u>168,518</u>	<u>77,458</u>
At 31 December	<u>168,518</u>	<u>77,458</u>

20. BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank overdrafts	—	1,884
Bank borrowings, secured	—	3,000
Bank borrowings, unsecured	851	—
	<u>851</u>	<u>4,884</u>

Notes:

1. At 31 December 2019, a general banking facility amounted to HK\$7,000,000 was secured by a deposit of HK\$4,124,000. The facility was utilised to the extent of approximately HK\$3,000,000. This general banking facility is subject to the fulfilment of covenants relating to certain of the security coverage ratios, as are commonly found in lending arrangements with financial institutions. If any of the security coverage ratios shall at any time fall below the level required, the Group shall provide additional security acceptable to the bank and/or reduce the outstanding of the facilities designated by the bank. The Group regularly monitors its compliance with these covenants.
2. The abovementioned bank borrowings is charged at a fixed rate of 5.75% per annum (2019: 5.75%).
3. As at 31 December 2020, the Group had no pledged assets for the bank borrowings.

21. LEASE LIABILITIES

The amount included in the consolidated statement of financial position in respect of the carrying amounts of lease liabilities and the movements during the years are as follows:

	Land and buildings HK\$'000	
At 1 January 2019		9,780
Acquired through acquisition of subsidiaries		3,943
Lease payments		<u>(4,878)</u>
At 31 December 2019		8,845
Interest expenses		197
Lease payments		(5,470)
Derecognition of lease liabilities		<u>(218)</u>
At 31 December 2020		<u><u>3,354</u></u>
	2020	2019
	HK\$'000	HK\$'000
Minimum lease payment due		
— Within one year	3,407	5,200
— In the second to fifth years, inclusive	<u>—</u>	<u>3,894</u>
	<u>3,407</u>	<u>9,094</u>
Less: Future finance charges	<u>(53)</u>	<u>(249)</u>
Present value of lease liabilities	<u>3,354</u>	<u><u>8,845</u></u>
	2020	2019
	HK\$'000	HK\$'000
Within one year	3,354	5,003
In the second to fifth years, inclusive	<u>—</u>	<u>3,842</u>
	<u>3,354</u>	<u><u>8,845</u></u>

22. CONVERTIBLE BONDS

(1) 2008 CBs

On 12 August 2008, the Company issued a convertible bonds as part of the consideration for the acquisition of forest concessions in Papua, Indonesia (the “**2008 CBs**”).

Subject to the restrictions specified below (the “**Conversion Restriction**”), the 2008 CBs are convertible at the option of the bondholders into ordinary shares in the Company at the initial conversion price of HK\$0.1 per share (subject to adjustments as provided in the terms and conditions of the 2008 CBs) at any time from the date of issue and ending on the fifth business day before the third anniversary of the date of issue:

- The bondholders do not have the right to convert any principal amount of the 2008 CBs into new shares of the Company thereof, if upon such conversion, Merdeka Commodities Limited and the parties acting in concert with it will be interested in 30% (or such amount as may from time to time be specified in the Codes on Takeovers and Mergers and Share Repurchases as being the level for triggering a mandatory general offer) or more of the enlarged issued share capital of the Company at the date of relevant conversion;
- The conversion of the 2008 CBs shall not cause the Company to be in breach of the minimum public float requirement as stipulated under Rule 11.23 of the GEM Listing Rules; and
- The bondholders do not have the right to convert any 2008 CBs with the principal amount falling between the range of HK\$350,000,000 to HK\$776,880,000 at any time during the period from the issue date up to and inclusive of the date that falls on the first anniversary of the issue date.

The 2008 CBs are unsecured, interest-free and have an initial maturity date at 12 August 2011. Unless converted into the shares of the Company (the “**Shares**”), the outstanding balance of the 2008 CBs would be redeemed in full on maturity.

By the first supplemental deed dated 30 May 2011, the maturity date of the 2008 CBs was extended for 3 years and the conversion period was accordingly extended from 12 August 2011 to 12 August 2014. Upon becoming effective of the first supplemental deed, the Company might at any time during the period commencing from the date of extension to the new maturity date to redeem the whole or part of the outstanding 2008 CBs at par on a pro rata basis. Also, the Conversion Restriction was removed. Apart from the extension of the maturity date, the conversion period, the early redemption right and the removal of the Conversion Restriction, all terms of the 2008 CBs remain unchanged.

22. CONVERTIBLE BONDS (Continued)

(1) 2008 CBs (Continued)

By the second supplemental deed dated 9 July 2014, the maturity date of the 2008 CBs was extended for 3 years and the conversion period was accordingly extended from 12 August 2014 to 12 August 2017. Upon becoming effective of the second supplemental deed, the Company might at any time during the period commencing from the date of extension to the new maturity date to redeem the whole or part of the outstanding 2008 CBs on a pro rata basis.

Upon effective of the second supplemental deed, the 2008 CBs was valued by the Directors with reference to a valuation report issued by Roma Appraisal Limited, an independent qualified valuer not connected to the Group. Gain on extinguishment of convertible bonds of approximately HK\$39,480,000 was recognised in the profit or loss for the year ended 31 December 2014.

By the third supplemental deed dated 20 January 2017, the maturity date of the 2008 CBs was extended for 3 years and the conversion period was accordingly extended from 12 August 2017 to 12 August 2020 (the “**Previous Maturity Date**”). Upon becoming effective of the third supplemental deed, the Company might at any time during the period commencing from the date of extension to the Previous Maturity Date to redeem the whole or part of the outstanding 2008 CBs on a pro rata basis. Also, the conversion price and the adjustment events to the conversion price had been changed. The conversion price have been adjusted to HK\$0.095 per share.

Upon effective of the third supplemental deed, the 2008 CBs was valued by the Directors with reference to a valuation report issued by International Valuation Limited, an independent qualified valuer not connected with the Group. Gain on extinguishment of convertible bond of approximately HK\$31,162,000 was recognised in the profit or loss for the year ended 31 December 2017.

Upon effective of the Share consolidation on the basis that every ten issued and unissued shares of par value of HK\$0.001 each in the share capital of the Company will be consolidated into one consolidated share of par value of HK\$0.01 each, the conversion price of 2008 CBs adjusted to HK\$0.95 per share.

By the fourth supplemental deed dated 10 January 2020, the maturity date of the 2008 CBs was extended for a further term of three years from 13 August 2020 to 12 August 2023. Upon becoming effective of the third supplemental deed, the Company might at any time during the period commencing from the date of extension to the Previous Maturity Date to redeem the whole or part of the outstanding 2008 CBs on a pro rata basis. Also, the conversion price of the 2008 CBs be revised from HK\$0.95 per conversion share to HK\$0.110 per conversion share with effect from 13 August 2020 (subject to adjustments). Save for the above amendments, all other terms of the 2008 CBs remain unchanged and valid. On 29 June 2020, the Company made a partial redemption in the principal amount of HK\$55,000,000 on part of the 2008 CBs.

22. CONVERTIBLE BONDS (Continued)

(1) 2008 CBs (Continued)

Upon effective of the fourth supplemental deed, the 2008 CBs was valued by the Directors with reference to a valuation report issued by an independent qualified valuer not connected with the Group. Gain on modification of terms of convertible bonds of HK\$2,502,000 and loss on redemption of convertible bonds of HK\$2,444,000 were recognised in the profit or loss for the year ended 31 December 2020.

The outstanding principal amount of the 2008 CBs as at 31 December 2020 was HK\$69,068,000 (2019: HK\$124,068,000) conferring rights to convert into a total of 627,890,909 ordinary Shares (2019: 130,597,895).

The 2008 CBs contain two components, the liability and equity components. The equity component is presented in equity as an “Equity component of convertible bonds”.

The effective interest rate of the liability component is as follow:

	Fourth Supplemental deed	Third Supplemental deed	Second Supplemental deed	First Supplemental deed
Effective interest rate	<u>14.72%</u>	<u>10.11%</u>	<u>14.13%</u>	<u>11.66%</u>

The movement of the liability component of the convertible bonds for the year was set out below:

	2020	2019
	HK\$'000	HK\$'000
At the beginning of the year	116,344	105,651
Interest charged	9,692	10,693
Modification of the terms of convertible bonds	(46,110)	—
Redemption of convertible bonds	(33,990)	—
At the end of the year	<u>45,936</u>	<u>116,344</u>

22. CONVERTIBLE BONDS (Continued)

(2) Team Sunny CB

On 10 January 2020, the Company issued the convertible bonds to Team Sunny International Holdings Limited (“**Team Sunny**”), a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Wong Hin Shek, the Chairman, the Chief Executive Officer, an executive Director and the substantial shareholder of the Company, for the settlement of the outstanding debt due from the Company to Mr. Wong of HK\$39,805,651 (the “**Team Sunny CB**”). The subscription amount payable by Team Sunny under the subscription agreement shall be satisfied by way of offsetting (i) the principal amount of HK\$8,000,000 under the 2019 PN (as defined below) and payable by the Company to Mr. Wong (which will be assigned to Team Sunny by Mr. Wong at the completion of the subscription to facilitate the set-off); and (ii) the outstanding principal amount and part of the accrued interest in an aggregate amount of HK\$31,805,651 under Mr. Wong’s facilities payable by the Company to Mr. Wong (which will be assigned to Team Sunny by Mr. Wong at the completion of the subscription to facilitate the set-off).

The Team Sunny CB are convertible at the option of the bondholders into ordinary shares in the Company at the conversion price of HK\$0.110 per share (subject to adjustments as provided in the terms and conditions of the Team Sunny CB) at any time from the date of issue and ending on the third anniversary of the date of issue.

The Team Sunny CB are unsecured, interest-free and have a maturity date fall on the third anniversary from the date of issue.

The outstanding principal amount of the Team Sunny CB as at 31 December 2020 was HK\$39,805,651 conferring rights to convert into a total 361,869,554 ordinary Shares.

The convertible bonds contained two components, the liability and equity component. The equity component is presented in equity as an “Equity component of convertible bonds”. The effective interest rate of the liability component is approximately 14.95% per annum.

The movement of the liability component of the convertible bonds for the year was set out below:

	2020 HK\$’000
Issuance of convertible bonds	25,492
Interest charged	2,444
	<hr/>
At the end of the year	27,936 <hr/> <hr/>

22. CONVERTIBLE BONDS *(Continued)*

(3) 2015 CBs

On 21 April 2015, the Company issued the convertible bonds as part of the consideration for the acquisition of Blossom Height Ventures Limited and its subsidiaries (the “**2015 CBs**”).

The 2015 CBs are convertible at the option of the bondholders into ordinary shares in the Company at the initial conversion price of HK\$0.32 per share (subject to adjustment as provided in the terms and conditions of the 2015 CBs) at any time from the date of issue and ending on the fifth business day before the third anniversary of the date of issue.

As a result of open offer of shares on 10 August 2015, the conversion price of 2015 CBs have been adjusted to HK\$0.23.

The 2015 CBs are unsecured, interest-free and have a maturity date fall on the third anniversary from the date of issue.

Upon effective of the share consolidation on the basis that every ten issued and unissued shares of par value of HK\$0.001 each in the share capital of the Company will be consolidated into one consolidated share of par value of HK\$0.01 each, the conversion price of 2015 CBs have been adjusted to HK\$2.30 per share.

At the maturity date, any outstanding principal amount of the 2015 CBs will be compulsorily converted into ordinary shares at HK\$2.30 per share. The compulsorily conversion feature of the 2015 CBs is, in substance, a prepaid forward purchase of the fixed number of shares of the Company. Accordingly, at the date of initial recognition, the fair value of the 2015 CBs was wholly recognised as equity and will not be remeasured subsequently.

On 17 December 2019, 17,391,304 shares issued as the convertible bonds with face value of HK\$40,000,000 were fully converted into shares of HK\$0.01 each at the conversion price of HK\$2.30.

23. PROMISSORY NOTE

On 28 February 2019, The Company issued a promissory note with principal amounts of HK\$8.0 million (the “**2019 PN**”) as a consideration for the acquisition of MPSL Group (as defined in note 27). The 2019 PN bears interest at 2% per annum and is due on the date falling on the last day of the 12th month from the date of issue of the 2019 PN (the “**2019 PN Maturity Date**”). The maturity date is 28 February 2020. The Company has the right to repay in full or in part of the principal amount of the 2019 PN prior to the 2019 PN Maturity Date at par.

The fair value of the 2019 PN was approximately HK\$7.2 million as at the issue date, calculated at the effective interest rate of 10.01% per annum. The promissory note was carried at amortised cost until settlement on due date. As at 31 December 2019, the carrying amount of outstanding 2019 PN was HK\$8.0 million.

On 28 February 2020, Mr. Wong Hin Shek entered into an extension deed (which was agreed and accepted by the Company), agreeing that (i) the maturity date of 2019 PN shall be extended to the date of completion of the subscription agreement be entered into between the Company and Team Sunny (as supplemented by the supplemental agreement dated 20 March 2020) (the “**CB Subscription**”) or the date on which the CB Subscription lapses, whichever is the earlier, or such later date as Mr. Wong and the Company may mutually agree in writing (the “**New Maturity Date**”) and; (ii) all interest accrued on the outstanding principal amount of the 2019 PN shall be repayable on the fifth business day immediately after the date of completion of the proposed rights issue or the date on which the proposed rights issue and the underwriting agreement are terminated or lapse, whichever is the earlier, or such other date as Mr. Wong and the Company may mutually agree in writing. For the avoidance of doubt, no interest shall continue to accrue after the full repayment of the principal amount of the 2019 PN on the New Maturity Date. Save for the above amendments, all other terms and conditions of the 2019 PN shall remain unchanged and in full and effect in all aspects. Upon the completion of the subscription and issue of Team Sunny CB on 21 May 2020 all the principal amount of 2019 PN was offset and settled.

Details were set out in the Company’s announcements dated 28 February 2020 and 21 May 2020.

The movement of the promissory note was as follows:

	2020	2019
	HK\$’000	HK\$’000
At the beginning of the year	8,005	—
Issuance upon acquisition of MPSL Group (as defined in Note 27)	—	7,272
Coupon interest charged	27	133
Imputed interest charged	128	600
Transfer to convertible bonds (Note 22(2))	(8,000)	—
Transfer to other payables upon maturity	(160)	—
	<hr/>	<hr/>
At the end of the year	—	8,005

24. TRADE PAYABLES

Details of trade payables as at the end of reporting period are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables from the business of dealing in securities		
— Cash clients (<i>Note</i>)	39,109	58,665
— HKSCC	186	—
Trade payables from trading business	<u>1,569</u>	<u>1,518</u>
	<u><u>40,864</u></u>	<u><u>60,183</u></u>

Note: As at 31 December 2020, the Group had trade payables due to a private company, which is wholly-owned by Mr. Wong Hin Shek, of approximately HK\$12,333,000 (2019: Nil) was arising from the Group's ordinary course of business in dealing securities. The transaction with such related company were carried out in normal course of business.

An ageing analysis of trade payables arising from business other than dealing in securities as at the end of reporting period based on the invoice date/contractual term, are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	211	57
31 to 60 days	—	294
61 to 120 days	134	26
Over 120 days	<u>1,224</u>	<u>1,141</u>
	<u><u>1,569</u></u>	<u><u>1,518</u></u>

25. OTHER PAYABLES AND ACCRUALS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other payables (<i>Note</i>)	39,829	103,872
Accruals	<u>2,972</u>	<u>2,849</u>
	<u><u>42,801</u></u>	<u><u>106,721</u></u>

Note:

As at 31 December 2019, included in other payable, the amounts of approximately HK\$12,636,000 and HK\$31,521,000 represented the amounts due to Mr. Cheung Wai Yin, Wilson, an executive Director, and loans from Mr. Wong Hin Shek, respectively.

The amounts due to Mr. Cheung Wai Yin, Wilson are unsecured, interest-free and no fixed repayment terms. The Company fully settled the advanced fund to Mr. Cheung Wai Yin, Wilson on 16 July 2020.

The loans from Mr. Wong are unsecured, interest bearing at 5% to 5.125% and repayable within one year. The Company fully settled the advance fund to Mr. Wong on 31 July 2020.

26. SHARE CAPITAL

	<i>Notes</i>	Number of shares in '000	Nominal values HK\$'000
Authorised:			
At 1 January 2019			
Ordinary shares of HK\$0.001 each		200,000,000	200,000
Share consolidation		<u>(180,000,000)</u>	<u>—</u>
At 31 December 2019, 1 January 2020 and 31 December 2020			
Ordinary shares of HK\$0.01 each		<u>20,000,000</u>	<u>200,000</u>
Issued and fully paid:			
At 1 January 2019			
Ordinary shares of HK\$0.001 each		2,040,094	2,040
Placing of shares		408,000	408
Share consolidation		(2,203,285)	—
Convertible bonds convert into Shares		<u>17,391</u>	<u>174</u>
At 31 December 2019 and 1 January 2020			
Ordinary shares of HK\$0.001 each		262,200	2,622
Issuance of shares upon rights issue	1	1,048,803	10,488
Issuance of shares upon exercise of share options	2	<u>12,240</u>	<u>122</u>
At 31 December 2020			
Ordinary shares of HK\$0.01 each		<u>1,323,243</u>	<u>13,232</u>

Notes:

- On 22 June 2020, the Company completed a rights issue (the “**Rights Issue**”) on the basis of four rights shares for every one exiting shares held on 28 May 2020 at the subscription price of HK\$0.110 per rights share and allotted and issued 1,048,802,876 shares of the Company. Gross Rights Issue proceeds of HK\$115,368,000 of which HK\$10,488,000 was credited against share capital and the remaining proceeds of HK\$104,880,000 after offsetting the share issuance costs of HK\$1,552,000 were credited against the share premium account.
- On 20 November 2020, share options to subscribe for 12,240,000 ordinary shares of the Company were exercised. The net consideration was HK\$184,000 of which HK\$122,000 was credited to share capital account and the balance of HK\$62,000 was credited to the share premium account. An amount of HK\$102,000 was transferred from share option reserve account to share premium account upon the exercise of the share options.

27. ACQUISITION OF SUBSIDIARIES

On 28 February 2019, the Group completed the acquisition of the entire interest in Merdeka Professional Services Limited (“MPSL”) (formerly known as Veda Corporate Services Limited) and its subsidiaries (together “MPSL Group”) at a consideration of HK\$8,000,000 settled by the promissory note issued by the Company. MPSL Group is principally engaged in the provision of corporate consulting services including company secretarial services, accounting and financial reporting services and management consulting services and is a holder of the Trust or Company Service Provider License registered with the Company Registry of Hong Kong. The primary reason for acquisition was to further expand and diversify the business portfolio within the corporate consulting business sector.

The fair values of identifiable assets and liabilities arising from the acquisition of MPSL Group as at the date of acquisition were as follows:

	Fair Value <i>HK\$'000</i>
Property, plant and equipment	20
Right-of-use assets	3,943
Intangible assets	1,140
Trade receivables	998
Other receivables	36
Prepayments and deposits	544
Bank balances and cash	2,654
Tax receivables	233
Trade payables	(630)
Deferred income	(3)
Receipt in advance	(33)
Deferred tax liabilities	(187)
Dividend payable	(2,970)
Lease liabilities	(3,943)
	<hr/>
Fair value of net assets acquired	1,802
	<hr/> <hr/>
	<i>HK\$'000</i>
Total consideration satisfied by promissory note issued at fair value (<i>Note 23</i>)	7,272
	<hr/>
Less: Fair value of net assets acquired	(1,802)
	<hr/>
Goodwill (<i>Note 11</i>)	5,470
	<hr/> <hr/>
Cash consideration paid	—
Bank balances and cash in a subsidiary acquired	2,654
	<hr/>
Net cash inflow from acquisition of subsidiaries	2,654
	<hr/> <hr/>

27. ACQUISITION OF SUBSIDIARIES (Continued)

The goodwill of HK\$5,470,000, which is not deductible for tax purposes, comprises the acquired workforce and the expected future growth of corporate consulting business to diversify the revenue stream of the existing business of the Group.

Post-acquisition contribution to revenue and net profit of the MPSL Group as included in the Group's consolidated statement of comprehensive income for the year ended 31 December 2019 is HK\$8,004,000 and HK\$3,161,000 respectively. Had the acquisition been completed on 1 January 2019, the revenue and net loss of the Group for the year ended 31 December 2019 would have been HK\$484,014,000 and HK\$114,661,000 respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition of the Group been completed on 1 January 2019 nor are they intended to be a projection of future results.

28. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 4 November 2019, the Company acquired the remaining 49% equity interest of Merdeka Investment Management Limited (formerly known as Heng Asset Management Limited (“MIML”) at cash consideration of HK\$10,000,000. MIML becomes the wholly-owned subsidiary of the Group. The Group recognised a decrease in non-controlling interests of HK\$3,452,000 and a decrease in equity attributable to owners of the Company of HK\$6,548,000. The effect of changes in the ownership interest of MIML on the equity attributable to owners of the Company during the year is summarised as below:

	<i>HK\$'000</i>
Carrying amount of non-controlling interests acquired	3,452
Consideration paid to non-controlling interests	<u>(10,000)</u>
Excess of consideration paid recognised within equity	<u><u>6,548</u></u>

29. DISPOSAL OF SUBSIDIARIES/DEREGISTRATION OF SUBSIDIARIES

(a) Deregistration of M Technology Limited (“M Technology”) and Merdeka Asset Management Limited (“MAML”)

On 22 May 2020, the Group deregistered M Technology and MAML, indirect wholly-owned subsidiaries of the Company. Gain on deregistration of subsidiaries in aggregate amounted to HK\$1,057,000 was analysed as follows:

HK\$'000

(i) Net liabilities of M Technology deregistered:

Other payables	(993)
Gain on deregistration	(993)

(ii) Net liabilities of MAML deregistered:

Other payables	(64)
Gain on deregistration	(64)

Total gain on deregistration	(1,057)
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(b) Disposal of Merdeka Resources International Limited (“MRI”)

On 1 April 2019, a subsidiary of the Group as a vendor entered into agreements with a director under normal commercial terms to dispose of its entire equity interests of MRI, at a consideration of HK\$1. Gain on disposal amounted to HK\$173,000 was analysed as follows:

HK\$'000

Net liabilities disposed of:

Property, plant and equipment	12
Prepayments, deposits and other receivables	20
Other payables	(205)
	(173)
Less: Proceeds from disposal	—
Gain on disposal	(173)

The cash consideration of HK\$1 from the disposal of MRI has been fully received by the Group for the year ended 31 December 2019. Net cash inflows arising on disposal is HK\$1.

29. DISPOSAL OF SUBSIDIARIES/DEREGISTRATION OF SUBSIDIARIES (Continued)

(c) Disposal of Gold Coin Development Limited (“Gold Coin”) and its subsidiary (together “Gold Coin Group”)

On 23 December 2019, a subsidiary of the Group as a vendor entered into agreements with a director under normal commercial terms to dispose of its entire equity interest of Gold Coin Group at a consideration of HK\$1. Gain on disposal amounted to HK\$360,000 was analysed as follows:

	<i>HK\$'000</i>
Net liabilities disposed of:	
Inventories	94
Trade receivables	44
Prepayments, deposits and other receivables	94
Trade payables	(10)
Other payables and accruals	(504)
	<u>(282)</u>
Non-controlling interest	(204)
	<u>(486)</u>
Less: Release of exchange reserve to profit or loss upon disposal	126
Less: Proceeds from disposal	—
	<u>(360)</u>
Gain on disposal	<u><u>(360)</u></u>

The cash consideration of HK\$1 from the disposal of Gold Coin has been fully received by the Group for the year ended 31 December 2019. Net cash flows arising on disposal is HK\$1.

(d) Deregistration of Veda (Yan’an) Corporate Services Limited (“Yan’an”)

On 11 July 2019, the Group deregistered Yan’an, a wholly-owned subsidiary in PRC.

	<i>HK\$'000</i>
Release of exchange reserve upon deregistration of a subsidiary	<u>6</u>
Loss on deregistration	<u><u>6</u></u>

Upon deregistration of this subsidiary, the cumulative amount of the exchange differences relating to this foreign operation, recognised in other comprehensive income and accumulated in the translation reserve, has been reclassified from equity to profit or loss in accordance with HKAS 21.

29. DISPOSAL OF SUBSIDIARIES/DEREGISTRATION OF SUBSIDIARIES (Continued)

(e) Deregistration of Netgenii Technology Limited (“Netgenii”)

On 25 January 2019, the Group deregistered Netgenii, a non-wholly owned subsidiary in Hong Kong. Gain on disposal amounted to HK\$1,210,000 was analysed as follows:

	<i>HK\$'000</i>
Net liabilities deregistered of:	
Bank balances	76
Prepayments, deposits and other receivables	130
Trade payables	<u>(1,300)</u>
	(1,094)
Less: Non-controlling interests	<u>(116)</u>
Gain on deregistration	<u><u>(1,210)</u></u>

30. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere to the consolidated financial statements, the Group have the following related party transactions.

Name of related party	Relationship	Nature of transaction	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Mr. Wong Hin Shek	Director	Loan interest charged	678	990
		Commission income from dealing in securities	<u>455</u>	—
			<u><u>1,133</u></u>	<u><u>990</u></u>
Related companies	Common director	Corporate consulting service income	622	—
		Commission income from dealing in securities	<u>47</u>	—
			<u><u>669</u></u>	<u><u>—</u></u>

30. RELATED PARTY TRANSACTIONS *(Continued)*

Compensation of key management personnel of the Group

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Short term employee benefits	1,643	2,189
Post-employment benefits	<u>31</u>	<u>35</u>
Total compensation paid to key management personnel	<u><u>1,674</u></u>	<u><u>2,224</u></u>

31. EVENTS AFTER REPORTING PERIOD

On 20 January 2021, the Company has offered to grant to certain Directors, employees and consultants of the Group (the “Grantees”), subject to acceptance by such Grantees, a total of 132,320,000 share options (the “Share Option(s)”) which will entitle the Grantees to subscribe for a total number of 132,320,000 ordinary shares of nominal value of HK\$0.01 each under the share option scheme adopted by the Company on 30 December 2020. The number of Shares to be issued upon exercise of the Share Options grant to the Grantees represents less than 10% of the issued shares as at 20 January 2021.

Details of which are set out in the Company’s announcement dated 20 January 2021.

39,000,000 Share Options and 13,000,000 Share Options has been exercised by the Grantees on 4 March 2021 and 8 March 2021 respectively.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditor of the Company:

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3.4 in the consolidated financial statements, which indicates that the Group incurred a net loss of HK\$97,782,000 for the year ended 31 December 2020 and, as of that date, the Company had net liabilities of HK\$54,701,000. As stated in Note 3.4, these events or conditions, along with other matters as set forth in Note 3.4, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

During the year ended 31 December 2020, the Group is principally engaged in (i) financial services business including the securities brokerage services, provision of corporate finance advisory services, asset management business, money lending services and financial leasing business; (ii) corporate consulting business including company secretarial services, accounting and financial reporting services and management consulting services; (iii) trading business; and (iv) information technology business.

For the year ended 31 December 2020, the Group recorded a revenue of approximately HK\$39.9 million (2019: approximately HK\$482.7 million). Loss for the year attributable to owners of the Company was approximately HK\$71.7 million (2019: approximately HK\$84.1 million). Basic and diluted loss per share was approximately HK\$0.08 (2019: approximately HK\$0.23 (restated)). The net loss for the years were mainly attributable from the impairment loss on finance lease receivables.

Given the businesses of both corporate finance advisory services and asset management continuously contributed revenue and operating profit to the Group since they commenced businesses in late 2019 and the loan interest income recognised from the provision of loans starting from the third quarter of 2020, should the impairment loss of finance lease receivables be excluded, the net loss of the Group for the year ended 31 December 2020 would be approximately HK\$19.7 million, which represented a significant drop in net loss as compared with the net loss of HK\$36.0 million for the year ended 31 December 2019.

Financial services business

The revenue for the year ended 31 December 2020 of the financial services business was approximately HK\$21.8 million (2019: approximately HK\$11.8 million) and a segment profit of approximately HK\$4.5 million (2019: segment loss of approximately HK\$11.2 million).

During the year under review, the financial leasing services business in the PRC continued to be stagnant. No new financial leasing contract was concluded due to keen competition in the industry and the default rate of finance lease receivables was high that the performance of financial leasing services business was sluggish.

The gross balance of finance lease receivables as at 31 December 2020 in the aggregate amount of approximately HK\$168.5 million referred to the finance lease agreement entered into between 恒河融資租賃 (上海) 有限公司 (for identification purpose only, Heng He Financial Lease (Shanghai) Company Limited) (“**Heng He**”) as lessor and an independent lessee in 2017 in relation to the sale and purchase of certain machineries and equipments and the leaseback of such machineries and equipments to the lessee for a term of 3 years and the deeds of transfer entered into between Heng He and an independent lessor in 2016 in relation to the sale and purchase of certain sub-leased assets from the lessor to Heng He and the leaseback of such sub-leased assets by Heng He to the lessor for a term of 3 years. The sub-leased assets consisted of certain network servers, Ethernet switches and high-end routers, which were owned by the lessor at the time of entering into the deeds of transfer and the lessor therefore had the right to sell such sub-leased assets to Heng He under the deeds of transfer.

The finance lease receivables in the aggregate amount of HK\$168.5 million had been outstanding since early 2018 and the management of Heng He had been actively chasing the lessee and the lessor for the outstanding payment by visiting their office, regularly communicating with them, and issuing demand letters and legal demand letters to remind them to pay the outstanding payment on time. The management of the Company, having considered the probability of default and the loss given default and the exposure at default, made a further impairment of HK\$78.0 million on the finance lease receivables for the year ended 31 December 2020 (2019: HK\$77.5 million).

As at 31 December 2020, the Company engaged an independent qualified valuer to determine the expected credit losses (the “**ECL**”) of the Group’s finance lease receivables. In assessing the ECL of the Group’s finance lease receivables, a credit rating analysis of the underlying debtors was adopted by reviewing the historical accounting information, credit assessment and including forward-looking information to estimate the default risk. The Group applied different expected loss rates to different classes of receivables according to their respective risk characteristics. In determining the default risk, factors including but not limited to, the past default history, the duration of the underlying finance lease, the existence and valuation of the collaterals, the possibility of adverse change in the debtor’s business environment and the debtor’s financial position, would be considered. The rate of ECL for the year ended 31 December 2020 is approximately 100% (2019: 48.86%) depending on the nature, probability of default and loss given default of the finance lease receivables.

For the year ended 31 December 2020, the corporate financial advisory services generated revenue of approximately HK\$12.8 million (2019: HK\$1.3 million), represented approximately 32.1% of the total revenue of the Group. Since the Group's corporate financial advisory services obtained its license from the Securities and Futures Commission of Hong Kong to carry out Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") in August 2019, it continuously generated stable revenue stream and contributed operating profit to the Group. MIML, a company carries out Type 4 (advising on securities) and Type 9 (asset management) regulated activities as defined under the SFO, generated revenue of approximately HK\$7.7 million for the year ended 31 December 2020 (2019: HK\$1.0 million).

In the course of preparing the financial statements for the year ended 31 December 2020, the Company had engaged an independent qualified valuer to determine the recoverable amount of the trading right of the business carrying on the regulated activities of Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) as defined under the SFO. The recoverable amount of the trading right has been determined from fair value less cost of disposal, which is primarily making reference to the recent sales of similar transactions in the market. During the year ended 31 December 2020, an impairment loss on intangible assets of approximately HK\$1.6 million (2019: HK\$1.2 million) was recognised.

As at 31 December 2020, the Group had loans receivable with gross principal amount of approximately HK\$11.2 million (2019: Nil). The Group recorded interest income from loans receivable of approximately HK\$0.2 million for the year ended 31 December 2020 (2019: Nil).

The loan portfolio comprises loans to independent third party borrowers with term ranging from 3 months to 12 months and interest rate from 10% to 15% per annum.

As at 31 December 2020, the management had engaged an independent qualified valuer to determine the expected credit losses of the Group's loans receivable (the "**loans receivable ECL**"). In assessing the loans receivable ECL of the Group, a credit rating analysis of the underlying debtors was adopted by reviewing the historical accounting information to estimate the default risk. The Group applied different expected loss rates to different classes of receivables according to their respective risk characteristics. In determining the default risk, factors including but not limited to, the ageing analysis of the receivables, the Group's internal assessment of the debtors' credit worthiness, historical and forecast occurrence of event of default, existence and valuation of the collaterals, the relevant regulatory framework and government policies in Hong Kong and global economic outlook in general and the specific economic condition of Hong Kong, would be considered. The rate of loans receivable ECL ranged from 0% to 4.59% depending on the nature, probability of default and loss given default of the loans receivable.

The Group has adopted a credit policy to manage its money lending business which includes compliance with all applicable laws and regulations, credit assessment on potential borrower and his/its assets, the credibility of the potential borrower, the necessity in obtaining collaterals and determination of suitable interest rate to reflect the risk level of the provision of loan.

The Group has performed credit risk assessment before granting the loans by (a) reviewing the financial information of the potential borrower; and (b) performing an assessment on the financial condition of the potential borrower and its shareholder (for enterprises), such as the type and value of assets owned by the potential borrower.

The Group also assesses and decides the necessity and the value of security/collateral for granting of each loan, whether to an individual or enterprise, on a case by case basis considering factors, including but not limited to, the repayment history, results of public search towards the borrower, the value and location of the assets owned by the borrower and the financial condition of the borrower.

Corporate consulting business

The performance of corporate consulting business remained stable that it generated revenue of approximately HK\$7.7 million (2019: approximately HK\$8.9 million) and recorded a segment profit of approximately HK\$1.2 million (2019: approximately HK\$2.6 million) during the year ended 31 December 2020.

Trading business

The revenue of the trading business for the year ended 31 December 2020 was approximately HK\$10.3 million (2019: approximately HK\$462.0 million) and a segment loss of approximately HK\$0.7 million (2019: approximately HK\$2.9 million). The weak performance was brought by the demonstrations and social unrest in Hong Kong occurred since the second half of 2019, the number of PRC tourists visiting Hong Kong dropped significantly. The trading business was further impacted that the revenues from trading business dropped by 97.8% as compared with 2019 since the outbreak of the novel coronavirus (“**COVID-19**”). By the combination of regulatory restrictions against social gatherings, poor market conditions and weak consumer sentiment, the Board believes all these challenging situation led to the significant decline in revenue and poor performance.

Information technology business

The information technology business recorded nil revenue (2019: Nil) and a segment loss of approximately HK\$0.02 million (2019: approximately HK\$0.7 million) for the year ended 31 December 2020.

Financial assets at fair value through profit or loss

As at 31 December 2020, the Group manage a listed security investment with fair value of approximately HK\$1.0 million (2019: Nil). In view of the fluctuations in the global and local financial markets, the Board is always cautious of the prospects of the trading performance of the Group's portfolio of listed securities investments.

Details of the listed security investment as at 31 December 2020 and gains for the year ended 31 December 2020 are as below:

Gains for the year ended 31 December 2020

Name of listed securities	Stock code	Realised gains <i>HK\$'000</i>	Unrealised gains <i>HK\$'000</i>	Dividend received <i>HK\$'000</i>
Evergrande Property Services Group Limited	6666	—	15	—
JD Health International Inc.	6618	13	—	—

Financial assets at fair value through profit or loss as at 31 December 2020

Name of listed securities	Stock code	Brief description of the business	Number of shares held	Proportion of shares held	Investment cost <i>HK\$'000</i>	Market value <i>HK\$'000</i>	Approximate Percentage to total assets value of the Group
Evergrande Property Services Group Limited	6666	Integrated commercial properties service business	113,000	0.001%	995	1,010	0.90%

OUTLOOK

Financial services business

Given the outstanding performance of the businesses of corporate financial advisory services, asset management and money lending, the Group will continue to put more effort in the development of these businesses and at the same time to explore more related business opportunities. For the securities brokerage services business, the Group will explore the involvement in the share placement activities to enhance its revenue stream. Furthermore, YAS Digital Limited (“**YAS Digital**”), the Group’s investment in a Hong Kong-based regional insurance technology company, on 23 July 2020, unveiled Hong Kong’s first microinsurance marketplace, YAS, which utilises innovative technologies such as fifth-generation wireless (5G), artificial intelligence (AI), blockchain, data analytics, and open application programming interface (API), to create an unprecedented ecosystem and business model for both business-to-business (B2B) and business-to-customers (B2C) customers in the insurance segment. The Board is confident with the prospects and potential growth of the financial technology industry and believes that the underlying technology and innovative ideas can be complementary to the Group’s existing financial businesses, including the securities brokerage services, corporate finance advisory services, asset management business and money lending services.

Corporate consulting business

Given the worldwide awareness of corporate governance, the Group anticipates the demand from Hong Kong listed issuers requesting for professional services in relation to corporate governance matters and compliance with the appropriate local rules governing the listed companies in Hong Kong and other relevant legal and regulatory requirements will persist.

Trading business

The business environment for retail trade would be more difficult and challenging in the near term. The Board has taken various proactive measures, including but not limited to, develop an online platform of trading of goods, components and accessories, to minimise the impact of COVID-19 on the trading business operations. Given the availability of COVID-19 vaccine in 2021, the performance of the trading business would be improved steadily.

CONVERTIBLE BONDS

2008 and 2015 Convertible Bonds

Further to the 2008 CBs as part of the consideration for the acquisition of forest concessions in Papua, Indonesia, the Company issued further 2015 CBs in the principal amount of HK\$40.0 million as paid of the consideration for acquisition of the entire issued share capital of Blossom Height Ventures Limited. On 17 December 2019, 17,391,304 shares issued as the convertible bonds with fair value of HK\$40.0 million were fully converted into shares of HK\$0.01 each at the conversion price of HK\$2.30.

On 10 January 2020, the Company and the holders of the 2008 CBs (the “**CB Holders**”) entered into the fourth supplemental deed, pursuant to which the Company and the CB Holders conditionally agreed to amend certain terms of the 2008 CBs such that (a) the maturity date of the 2008 CBs 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 CBs be revised from HK\$0.95 per conversion share to HK\$0.110 per conversion share with effect from 13 August 2020 (subject to adjustments). Save for the above amendments, all other terms of the 2008 CBs shall remain unchanged and valid. The amendments on 2008 CBs took effect on 18 May 2020.

On 29 June 2020, the Company made a partial redemption in the principal amount of HK\$55,000,000 on part of the 2008 CBs.

As at 31 December 2020, the Company had 2008 CBs with principal amount of HK\$69.1 million conferring rights to convert into a total of 627,890,909 Shares with the conversion price of HK\$0.110 per Share.

Team Sunny Convertible Bonds

On 10 January 2020, the Company entered into the subscription agreement (as supplemented by the supplemental agreement dated 20 March 2020) with Team Sunny, pursuant to which Team Sunny conditionally agreed to subscribe and the Company conditionally agreed to issue the Team Sunny CB in the principal amount of HK\$39,805,651 (which are convertible into conversion shares at the conversion price of HK\$0.110 per share (subject to adjustments)) for the settlement of the outstanding debt due from the Company to Mr. Wong Hin Shek of HK\$39,805,651. The subscription amount payable by Team Sunny under the subscription agreement shall be satisfied by way of offsetting (i) the principal amount of HK\$8,000,000 under the 2019 PN and payable by the Company to Mr. Wong Hin Shek, an executive Director, the Chairman and the Chief Executive Officer of the Company (which will be assigned to Team Sunny by Mr. Wong Hin Shek at the completion of the subscription to facilitate the set-off); and (ii) the outstanding principal amount and part of the accrued interest in an aggregate amount of HK\$31,805,651 under Mr. Wong Hin Shek's facilities payable by the Company to Mr. Wong Hin Shek (which will be assigned to Team Sunny by Mr. Wong Hin Shek at the completion of the subscription to facilitate the set-off).

On 21 May 2020, the subscription took place and the Team Sunny CB in the principal amount of HK\$39,805,651 were issued to Team Sunny.

As at 31 December 2020, the Company had Team Sunny CB with principal amount of HK\$39.8 million conferring rights to convert into a total of 361,869,554 Shares with the conversion price of HK\$0.110 per Share.

LITIGATION

On 22 January 2015, the Company received a writ of summons (HCA 170 of 2015) issued in the Court of First Instance of the High Court of Hong Kong (the “**High Court**”) by Mr. Au Kai To Karel, as the plaintiff claiming against (i) End User Technology Limited (“**End User**”), an indirect wholly-owned subsidiary of the Company, as the first defendant; (ii) the Company, as the second defendant; and (iii) Mr. Lau Chi Yan Pierre, the then managing Director and executive Director, as the third defendant for, inter alia, (1) specific performance of an agreement dated 2 May 2013 in relation to a discloseable transaction of the Company (details of which were disclosed in the announcement of the Company dated 2 May 2013); (2) alternatively, the damages in the sum of HK\$80,000,000 in lieu of specific performance; (3) the interest; (4) further and/or other relief; and (5) the costs.

On 29 September 2017, the Company received a judgement dated 29 September 2017 handed down by the High Court (the “**Judgement**”) ordering, among others, that the Company and End User, to pay, jointly and severally, damages to Mr. Au Kai To Karel in the sum of HK\$4.4 million.

As announced by the Company in its announcement on 14 November 2017, the Company has appealed against the Judgment by way of Notice of Appeal filed on 25 October 2017 with the Court of Appeal (the “**Appeal**”) (CACV 237 of 2017) and has taken steps to seek further legal advice on the Judgement, the Appeal, and other appropriate actions to be taken thereon.

On 13 November 2017, the Company received a petition made by Mr. Au Kai To Karel (the “**Petition**”) in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the laws of Hong Kong (the “**CWUMPO**”) from the High Court (HCCW 343 of 2017) that the Company may be wound up by the High Court under the provisions of the CWUMPO on the ground that the Company is deemed to be unable to pay the sum of HK\$4.4 million as stipulated therein the Judgement.

On 7 May 2018, upon the Company having paid into court the judgement sum of HK\$4.4 million pursuant to a court order dated 16 April 2018, the Petition was adjourned until the determination of the Appeal.

On 4 January 2019, the Court of Appeal allowed the Company’s appeal despite dismissing End User’s appeal. Reasons for judgement was handed down on 18 January 2019.

On 20 May 2019, the High Court ordered that the Petition made by Mr. Au Kai To Karel (the “**Petitioner**”) under HCCW 343 of 2017 to wind up the Company be dismissed with costs payable by the Petitioner to the Company. Application for the return of HK\$4.4 million together with the interest accrued to the Company has been submitted to the High Court. On the hearing of the High Court on 18 December 2019, the High Court ordered that such application be adjourned sine die and costs be reserved. It was ordered by the High Court that the case be placed before a judge of the Court of Appeal for direction or determination.

On 13 August 2020, the Company received a judgement dated 13 August 2020 handed down by the Court of Appeal, among others, that an order made in favor of Mr. Au Kai To Karel, the plaintiff, for the payment of HK\$4.4 million and ordering the Company and End User to pay the costs of HK\$100,000. After seeking legal advice, the Group decided not to appeal against the Court of Appeal’s judgement.

For details, please refer to the announcements of the Company dated 22 January 2015, 29 September 2017, 14 November 2017, 16 November 2017, 6 February 2018, 20 February 2018, 16 May 2018, 22 January 2019, 21 May 2019, 14 August 2020 and 11 September 2020.

DIVIDENDS

The Board resolved not to recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 31 December 2020, the Group recorded cash and bank balances (including trust accounts) amounting to approximately HK\$55.0 million (2019: approximately HK\$47.1 million) and the net current assets value was approximately HK\$2.6 million (2019: net current liabilities of HK\$128.5 million).

The Group's gearing ratio as at 31 December 2020 was approximately 0.69 (2019: approximately 0.66), being a ratio of total interest-bearing debts, including borrowings, convertible bonds and promissory notes of approximately HK\$74.7 million (2019: approximately HK\$129.2 million) to the total assets of approximately HK\$108.2 million (2019: approximately HK\$197.1 million).

USE OF PROCEEDS FROM RIGHTS ISSUE

The Company completed the Rights Issue on 22 June 2020, pursuant to which the Company has issued 1,048,802,876 Shares as rights shares at HK\$0.110 per rights share on the basis of four rights shares for every one existing Share held on 28 May 2020. The net proceeds from the Rights Issue (after deducting the expenses) were approximately HK\$110.8 million. The net subscription price per rights share after deducting the related expenses of the Rights Issue was approximately HK\$0.106.

The intended and actual use of the net proceeds from the Rights Issue is stated as below:

Amount	Intended use	Actual use
HK\$ million		
55.00	Repayment of the 2008 CBs to Mr. Cheung Wai Yin, Wilson	Fully utilised as intended
12.64	Repayment of the Mr. Cheung Wai Yin, Wilson advance to the Company	Fully utilised as intended
14.86	Repayment of the promissory notes issued by the Company on 4 April 2014	Fully utilised as intended
28.30	General working capital and future investment	Approximately HK\$14.0 million has not been utilised and is expected to be used as intended within 6 months
<hr/>		
<u>110.80</u>		

FINANCIAL ASSISTANCES RECEIVED BY THE COMPANY

As at 31 December 2019, Mr. Cheung Wai Yin, Wilson, an executive Director, advanced fund of approximately HK\$12.6 million to the Company at no interest, no security and no fixed repayment terms. The Company fully settled the advanced fund to Mr. Cheung Wai Yin, Wilson on 16 July 2020.

Upon the CB Subscription with principal amount of HK\$39,805,651 completed on 21 May 2020 which offset the outstanding principal amount and part of the accrued interest in an aggregate amount of HK\$31,805,651 under Mr. Wong Hin Shek's advance payable by the Company to Mr. Wong Hin Shek, as at 31 December 2019, Mr. Wong Hin Shek advanced fund of approximately HK\$30.5 million to the Company. All the loans advanced by Mr. Wong Hin Shek to the Company were unsecured. The Company fully settled the advance fund to Mr. Wong Hin Shek on 31 July 2020.

As Mr. Wong Hin Shek is the connected person to the Company, the loans constitute financial assistance received by the Company from connected person. The loans were conducted on normal commercial terms or better to the Company and not secured by any asset of the Group, the loans were fully exempted from all disclosure, annual review, circular and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

PLEDGE OF ASSETS

As at 31 December 2020, the Group had no pledged assets (2019: bank deposits of approximately HK\$4.1 million).

CAPITAL STRUCTURE

On 22 June 2020, the Company allotted and issued 1,048,802,876 Shares under the Rights Issue on the basis of four rights shares for every one existing Share held on 28 May 2020.

During the year ended 31 December 2020, 12,240,000 share options were exercised.

As a result of the completion of the Rights Issue, the exercise prices of the outstanding share options and the related number of shares that could be subscribed for upon exercise of the outstanding share options was adjusted with effect from 22 June 2020 in accordance with the share options scheme.

With reference to the terms and conditions of the share option scheme, Rule 23.03(13) of the GEM Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005, the exercise prices and the number of shares that could be subscribed for upon exercise of the outstanding share options were adjusted in the following manner:

Date of grant	Immediately before completion of the Rights Issue		Immediately after completion of the Rights Issue	
	Exercise price per share (HK\$)	Number of shares that can be subscribed for upon exercise of the outstanding share options	Exercise price per share (HK\$)	Number of shares that can be subscribed for upon exercise of the outstanding share options
30 May 2012	<u>36.000</u>	<u>33,199</u>	<u>33.333</u>	<u>35,854</u>

Following the completion of the Rights Issue, the board lot size for trading in shares was remains the same as 20,000 shares.

Save as disclosed, the Company had no changes in capital structure during the year ended 31 December 2020.

INVESTMENT POSITION AND PLANNING

Rights Issue on the basis of four (4) rights shares for every one (1) existing share held on 28 May 2020

On 22 June 2020, the Company completed the Rights Issue on the basis of four (4) rights shares for every one (1) existing Share held on 28 May 2020 at the subscription price of HK\$0.110 per rights share and allotted and issued 1,048,802,876 Shares. The net proceeds raised from the Rights Issue were approximately HK\$110.8 million.

Details were set out in the Company's announcements dated 10 January 2020, 20 March 2020, 14 April 2020, 16 April 2020, 18 May 2020 and 19 June 2020, the Company's circular dated 27 March 2020 and the Company's prospectus dated 29 May 2020.

Connected transaction — subscription of convertible bonds under specific mandate

On 10 January 2020, the Company entered into the subscription agreement (as supplemented by the supplemental agreement dated 20 March 2020) with Team Sunny, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Wong Hin Shek, pursuant to which Team Sunny conditionally agreed to subscribe and the Company conditionally agreed to issue the convertible bonds in the principal amount of HK\$39,805,651 (which are convertible into conversion shares at the conversion price of HK\$0.110 per share (subject to adjustments)) for the settlement of the outstanding debt due from the Company to Mr. Wong Hin Shek of HK\$39,805,651. The subscription amount payable by Team Sunny under the subscription agreement shall be satisfied by way of offsetting (i) the principal amount of HK\$8,000,000 under the 2019 PN and payable by the Company to Mr. Wong Hin Shek (which will be assigned to Team Sunny by Mr. Wong Hin Shek at the completion of the subscription to facilitate the set-off); and (ii) the outstanding principal amount and part of the accrued interest in an aggregate amount of HK\$31,805,651 under Mr. Wong Hin Shek's facilities payable by the Company to Mr. Wong Hin Shek (which will be assigned to Team Sunny by Mr. Wong Hin Shek at the completion of the subscription to facilitate the set-off). The subscription was completed on 21 May 2020.

Details were set out in the Company's announcements dated 10 January 2020, 20 March 2020, 14 April 2020, 16 April 2020, 18 May 2020 and 21 May 2020 and the Company's circular dated 27 March 2020.

Connected transaction — Amendments to the terms of the 2008 convertible bonds

On 10 January 2020, the Company and the CB Holders entered into the fourth supplemental deed, pursuant to which the Company and the CB Holders conditionally agreed to amend certain terms of the 2008 CBs such that (a) the maturity date of the 2008 CBs 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 CBs be revised from HK\$0.95 per conversion share to HK\$0.110 per conversion share with effect from 13 August 2020

(subject to adjustments). Save for the above amendments, all other terms of the 2008 CBs shall remain unchanged and valid. The amendments to the terms of the 2008 CBs took effect on 18 May 2020.

Details were set out in the Company's announcements dated 10 January 2020, 20 March 2020, 14 April 2020, 16 April 2020 and 18 May 2020 and the Company's circular dated 27 March 2020.

Extension of the maturity date of the promissory note

On 28 February 2020, Mr. Wong Hin Shek entered into an extension deed (which was agreed and accepted by the Company), agreeing that (i) the maturity date of the 2019 PN shall be extended to the date of completion of the CB Subscription or the date on which the CB Subscription lapses, whichever is the earlier, or such later date as Mr. Wong Hin Shek and the Company may mutually agree in writing and; (ii) all interest accrued on the outstanding principal amount of the 2019 PN shall be repayable on the fifth business day immediately after the date of completion of the proposed rights issue or the date on which the proposed rights issue and the underwriting agreement are terminated or lapse, whichever is the earlier, or such other date as Mr. Wong Hin Shek and the Company may mutually agree in writing. For the avoidance of doubt, no interest shall continue to accrue after the full repayment of the principal amount of the 2019 PN on the New Maturity Date. Save for the above amendments, all other terms and conditions of the 2019 PN shall remain unchanged and in full and effect in all aspects. Upon the completion of the subscription and issue of Team Sunny CB on 21 May 2020, all the principal amount of 2019 PN was offset and settled. Details were set out in the Company's announcements dated 28 February 2020 and 21 May 2020.

Memorandum of understanding in relation to the possible acquisition of the digital insurance and related business

On 20 March 2020, Joy Sunny Investment Limited ("**Joy Sunny**"), a wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding (the "**MOU**") with the vendors of YAS Digital (the "**YAS Vendors**") regarding the Group's intention to acquire certain amount of shares of YAS Digital owned by YAS Vendors at a consideration subject to further negotiation by the parties thereto.

On 21 September 2020, given that additional time is required for further negotiation of the sale and purchase agreement, the parties to the MOU entered into an extension letter to extend the negotiation period from six (6) months to nine (9) months i.e. 20 December 2020 (or such later date as the parties to the MOU may agree) (the "**Negotiation Period**").

On 21 December 2020, as no sales and purchase agreement has been entered into between Joy Sunny and YAS Digital within the negotiation period nor reaching an agreement in extending the Negotiation Period, the MOU has automatically lapsed and ceased to have any effect.

On 29 October 2020, Joy Sunny entered into a simple agreement for future equity with YAS Digital to grant Joy Sunny the future rights to acquire certain shares of YAS Digital at a consideration of USD150,000 (equivalent to approximately HK\$1,170,000).

Details were set out in the Company's announcements dated 20 March 2020, 21 September 2020 and 21 December 2020.

CONTINGENT LIABILITIES

As at 31 December 2020, save for the litigation, the Group had no other significant contingent liabilities (2019: Nil).

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had no significant capital commitments (2019: Nil).

FOREIGN CURRENCY RISK

The Group's reporting currency is Hong Kong dollar. During the year ended 31 December 2020, most of the Group's transactions were denominated in HK\$ and Renminbi ("RMB"). The Group had exposure to the risk of exchange rate fluctuations for RMB on account of its cost of financial leasing and information technology operations in the PRC. The Group did not formally employ any hedging instruments or derivative products considering the relevant costs and benefits. However, the Group will continue to monitor closely the exchange rate risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed 40 staff (2019: 41). The Group's remuneration policy is based on principle of equality, motivating, performance-oriented and market-competitiveness. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits included provident fund contributions, medical insurance coverage and performance related bonuses. A share option scheme is also established to reward and motivate the employees of the Group.

CONNECTED TRANSACTIONS

Save as disclosed, the Company did not have any other connected transactions which were subject to the reporting requirements under Chapter 20 of the GEM Listing Rules for the year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year and up to the date of this announcement, to the best knowledge of the Board, the Company has applied the principles and complied with the applicable code provisions set out in the Corporate Governance Code in Appendix 15 of the GEM Listing Rules (the “**CG Code**”) except for the following deviations:

Code Provision A.2.1

The code provision A.2.1 provides that the roles of chairman and chief executive should be separated and should not be performed by the same individual.

On 1 September 2020, following the resignation of Mr. Cheung Wai Yin, Wilson as the Chairman and the Chief Executive Officer, Mr. Wong Hin Shek was appointed the roles of both the Chairman and the Chief Executive Officer. The Board considered (1) Mr. Wong has substantial experience that is essential to fulfilling the role of the Chairman, at the same time, he has the appropriate management skills and business acumen that are the prerequisites for assuming the role of the Chief Executive Officer in the day-to-day management of the Group; (2) having the same individual in both roles as the Chairman and the Chief Executive Officer could ensure the leadership consistency and could make and implement the overall strategy of the Group more effectively; and (3) the current structure of the Board does not compromise the balance of power and authority between the Board and the management of the Company. The Board will regularly review the effectiveness of this structure to ensure that it is appropriate to the Group's circumstances.

Code Provision A.4.2

The code provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The articles of association of the Company (the “**Original Articles**”) provides that (1) any Director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company (the “**AGM**”) and shall then be eligible for re-election and (2) the Chairman and the managing Director shall not be subject to retirement by rotation or also not be taken into account in determining the number of Directors to retire in each year (the “**Code Deviation Articles**”). The Code Deviation Articles in the Original Articles deviate from the code provision A.4.2 of the CG Code.

On 30 December 2020, the Company has amended the Original Articles and adopted the amended and restated articles of association of the Company (the “**Articles**”) by the shareholders of the Company at the extraordinary general meeting and the Articles had become effective on the same day. The Code Deviation Articles has been amended to reflect the current requirements of the CG Code. Following the adoption of the Articles, the Company has complied with the code provision A.4.2 of the CG Code.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has not adopted a code of conduct nor established written guidelines regarding the securities transactions by the Directors and relevant employees of the Company but has applied the principles of the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Required Standard of Dealings**”).

All Directors have confirmed, following the specific enquiry by the Company, that they have complied with the Required Standard of Dealings throughout the year and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established the audit committee of the Company (the “**Audit Committee**”) with specific written terms of reference formulated in accordance with the requirements of the GEM Listing Rules. The main duties of the Audit Committee are to (i) review the quarterly, half-yearly and annual results of the Group; (ii) review the risk management and internal control systems, the effectiveness of the internal audit function of the Group; and (iii) ensure the objectivity and credibility of the Company’s financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditor of the Company.

As at the date of this announcement, the Audit Committee comprises of three independent non-executive Directors, namely Ms. Ng Ka Sim, Casina, Mr. Wong Wing Kit and Ms. Yeung Mo Sheung, Ann, with at least one of whom with appropriate professional qualifications or accounting or related financial management expertise as required in rule 5.05(2) of the GEM Listing Rules.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2020 with senior management and external auditor of the Company, and confirmed that the preparation of such complied with applicable accounting standards

and practices adopted by the Company and the requirements under the GEM Listing Rules and other applicable statutory and regulatory requirements, and adequate disclosure had been made.

PUBLICATION OF THE ANNUAL RESULTS AND DESPATCH OF THE ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at <http://www.merdeka.com.hk>. The annual report of the Company for the year ended 31 December 2020 containing all the information required by the GEM Listing Rules will be published on the websites of the Stock Exchange and the Company and despatched to the shareholders of the Company on or before 31 March 2021.

ANNUAL GENERAL MEETING

The notice of the 2021 AGM of the shareholders of the Company will be published and despatched to the shareholders of the Company in the manner as required by the GEM Listing Rules in due course.

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

Hong Kong, 25 March 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 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>.