MERDEKA FINANCIAL SERVICES GROUP LIMITED

（萬德金融服務集團有限公司*）

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8163)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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 of Merdeka Financial Services 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 of the Company, 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.

* *For identification purposes only*

HIGHLIGHTS

- The Group recorded an increase of approximately 147.1% in total revenue in the first half of 2016 with the reported revenue of approximately HK$97.2 million.
- Financial lease business provided a significant impact to the Group and reported the revenue of approximately HK$23.7 million for the period.
- The Group's gross profit increased approximately 74.9% to approximately HK$6.0 million on a year-on-year basis.
- Financial lease business contributed approximately HK$3.3 million, representing 3.4% of the Group's gross profit margin.
- The overall gearing ratio was slightly improved by 2.83%.
- An improvement of current ratio from 1.41 as at 31 December 2015 to 2.16 as at 30 June 2016.
- The Group's cash and cash equivalents amounted to approximately HK$97.0 million.
- Basic and diluted loss per share for the six months ended 30 June 2016 was HK$0.012, representing a decrease of approximately 29.41% as compared with HK$0.017 for the six months ended 30 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2016, Merdeka Financial Services Group Limited (the "Company") and its subsidiaries (the "Group") continued to engage in financial services business, trading business, including the trading of various brands of milk powder products to customers based in Hong Kong and information technology business. Financial services business, including the money lending business and the financial leasing business, and trading business continued to grow healthily and the information technology business remained challenging.

OPERATION REVIEW

It is obvious that commencing from the establishment of the money lending business to the acquisition of 恒河融資租賃(上海)有限公司 (Heng He Financial Lease (Shanghai) Company Limited*) ("Heng He"), the Company is putting more weight on the financial services business.

As additional capital is required by Heng He to cope with the significant growth in its business operation and the increasing demand for financial leasing in the PRC, the Company, on 14 December 2015, entered into a capital injection agreement (the "Capital Injection Agreement") with 上海市巽離股權投資管理有限公司 (Shanghai Xunli Equity Investment Management Limited*)("Shanghai Xunli"), to increase the registered capital of Heng He from RMB170 million to RMB300 million. The Capital Injection Agreement and the transactions contemplated thereunder was approved, confirmed and ratified during the extraordinary general meeting of the Company duly held on 26 April 2016.

With effect from 26 July 2016, as the Company has further injected the sum of approximately RMB20.28 million (approximately HK$23.59 million) in cash into Heng He as its registered and paid capital for use as general working capital to facilitate the expansion of the financial leasing business, the Company's interest in Heng He increases to 64.71% accordingly.

During the period under review, being benefited from the contracts signed in 2014 and 2015, Heng He continuously earns interest income and has been liaising and negotiating new contracts in order to further explore new clients as well as expanding its financial leasing business. However, in light of the expecting transaction size and the prevailing listing rules, such progress is slow in pace. The Company is strive to comply with the GEM Listing Rules and will make required disclosure(s) accordingly.

On 22 January 2016, Heng He signed and executed certain necessary documents in relation to the formation of a PRC joint venture company, namely 萬德徵信有限公司 (Merdeka Credit Information Limited*)("Merdeka Credit"), in which Heng He holds 70% shareholding interests, with 坤艮股權投資基金管理(上海)有限公司 (Kun Gen Equity Investment Fund Management (Shanghai) Limited*) ("Kun Gen") and 上海華皓財務管理有限公司 (Shanghai Hua Hao Financial Management Limited*) ("Hua Hao"). Merdeka Credit is expected to be principally engaged in the provision of various kinds of credit information services to local and overseas institutional investors, financial institutions, regulatory authorities, government departments and economic research houses. Upon its establishment, Merdeka Credit will be accounted for as a subsidiary of the Company and their results will be consolidated into the financial statements of the Group.

* *For identification purpose only*

OPERATION REVIEW *(continued)*

Since commencing its money lending business with a valid money lenders licence granted, the Company is able to develop the money lending business as one of its principal lines of business by providing loans in a systematic and repetitive nature in its ordinary course of business, subject to compliance with the requirements in the Money Lenders Ordinance. During the first half of 2016, the Group has been approached by potential borrowers for provision of loans from time to time.

In order to further expand and diverse the Company's business into financial services business, the Company has acquired the entire shareholding of Xiaxin Securities (HK) Limited ("Xiaxin"), a corporation licensed to carry out Type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance (the "SFO"), at a cash consideration of HK$7.5 million. As the approval has been given by the Securities and Futures Commission (the "SFC") on 6 July 2016 the completion of the transaction took place on 15 July 2016. Following the Completion, XiaXin has become an indirect wholly-owned subsidiary of the Company and the financial results of XiaXin will be consolidated into the accounts of the Group.

During the period under review, trading business continues to provide a stable source of revenue to the Group and as the business is running steadily, the Group is expanding its trading business into more variety of consumer products and into more geographical markets within the PRC. The Group's trading outlet is located in Sheung Shui, at where, it is nearer to its customers. The variety of the Group's trading products has been enlarged to confectioneries and pharmacy products. The Group sourced locally and from Japan and other Asia countries in respect of its trading products. Furthermore, after registered as a food importer/food distributor under the Food Safety Ordinance, the Group in the first quarter of 2016 has commenced OEM products from Asia countries that include Japan, Korea and Malaysia. With complimentary effects from the Group's mobile and cloud information technology centre in Mian Yang, the People's Republic of China (the "PRC"), the Group's trading arm, Source Easy Limited ("Source Easy") has been expanding its customers in the PRC.

The Group's information technology business remained challenging during the period under review, partly because of the keen competition and partly because of the change in project cycles of the customers. However, the Group is consolidating different acquired entities into a single stream of income and shifting the weight to its 60% owned subsidiary, 綿陽恒達信息科技有限公司 (Mian Yang Heng Da Information Technology Limited*) ("Heng Da"). While developing its mobile and the cloud-based city Wi-Fi application software with Source Easy and its customer in the PRC, Heng Da has been developing mobile and cloud based application software and operating related e-commence platform to trade the Group's consumer products in the PRC for Source Easy's trading products.

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DISCUSSION ON FINANCIAL RESULTS

Compared to the first half of last year, the Group recorded an increase of approximately 147.1% in total revenue in the first half of 2016 with the reported revenue of approximately HK$97.2 million. The significant increase was mainly contributed by the rapid growth in trading business by strengthening the direct sale channel with the bulk purchasers and the local pharmacies. Further, we also enhanced our product mix diversification by trading of more pharmaceutical and imported food products instead of focusing on cosmetic and dairy products in the past. On the other hand, the acquisition of financial lease business completed in September 2015 also provided a significant impact to the Group and reported the revenue of approximately HK$23.7 million for the period.

The Group's gross profit increased approximately 74.9% to approximately HK$6.0 million on a year-on-year basis. The increase was mainly contributed by the consolidation of financial lease business segment which contributed approximately HK$3.3 million, representing 3.4% of the Group's gross profit margin, and trading business also contributed approximately HK$1.6 million, representing approximately 1.6% of the Group's gross profit margin.

In light of the increasing operating activities carried out during the period, the overall operating and administrative expenses also increased correspondingly by 64.4% to approximately HK$15.6 million.

The total expense in finance costs for the first half of this year should have been approximately HK$29.9 million, however, approximately HK$20.4 million was taken up as cost of sales for the financial lease business. The remaining finance costs was increased by approximately 24.3% to approximately HK$9.5 million on a year-on-year basis. During the reporting period, there was no conversion or repayment of outstanding principal of convertible bonds and promissory notes, therefore, the increase in finance costs was mainly caused by increased imputed interest charge on outstanding carrying amount of convertible bonds and promissory notes.

FINANCIAL LEASING CONTRACTS

As at 30 June 2016, Heng He had the following financial leasing contracts in the aggregate amount of RMB669.0 million. Details of the financial leasing contracts are as follows:

	Principal Amount *(RMB'000)*	**Date of commencement**	**Tenor**	**Interest rate per annum**
Customer A *(Note 1)*	45,000	3 January 2014	3 years	11.00%
Customer B *(Note 2)*	35,000	3 January 2014	3 years	11.00%
Customer C *(Note 3)*	460	31 March 2015	5 years	11.00%
Customer D *(Note 4)*	50,000	15 June 2015	3 years	8.00% *(Note 5)*
Customer E *(Note 6)*	200,000	14 August 2015	3 years	6.67%
	200,000	31 August 2015	3 years	6.38%
Customer F *(Note 7)*	44,000	31 August 2015	3 years	11.00%
Customer G *(Note 8)*	94,500	31 August 2015	1 year	5.40%

FINANCIAL LEASING CONTRACTS *(continued)*

Notes:

1. A company located in Shanghai which is principally engaged in embroidery processing in the PRC.

2. A company located in Shanghai which is principally engaged in manufacturing of metallic mechanical and electrical products in the PRC.

3. A company located in Shanghai which is principally engaged in the provision of auditing, taxation and business advisory services in the PRC.

4. A company based in Wuhan which is principally engaged in the trading of coal, production and distribution of green energy in the PRC.

5. The interest rate is adjustable subject to mutual consent of Heng He and Customer D.

6. A company based in the PRC which is principally engaged in the construction of port and transportation infrastructure in Asia, Africa and Europe.

7. A company based in Shanghai which is principally engaged in property development business in the PRC.

8. A company based in Nantong which is principally engaged in the provision of construction service in the PRC.

FUND RAISING ACTIVITIES OF THE COMPANY

In the past 12 months immediately prior to the date of this announcement, the Company has carried out the following fund raising activities.

Date of announcement	Fund raising activity	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
10 May 2015	Open offer on the basis of two offer shares for every one Share held on the record date	HK$66.22 million	(i) as to not less than 80% for the capital injection into Heng He as its general working capital to facilitate the expansion of the financial leasing business; and (ii) the remaining for the general working capital of the Group	Fully utilized as intended
17 August 2015	Placing of new Shares under general mandate	HK$8.50 million	to strengthen the general working capital base of the Company to finance its business development and/or to finance any future investment opportunities	HK$7.50 million has been paid as consideration in the acquisition of Xiaxin pursuant to an acquisition agreement dated 10 August 2015. The remaining is deposited in bank and will be applied as intended

FUND RAISING ACTIVITIES OF THE COMPANY *(continued)*

Date of announcement	Fund raising activity	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
14 March 2016	Placing of new Shares under general mandate	HK$14.00 million	(i) as to not less than HK$11.20 million for the capital injection into Heng He as its general working capital to facilitate the expansion of the financial leasing business, by increasing the budget of funding amounts to the lessees and exploring other regions in the PRC; and (ii) the remaining for the strengthening of the general working capital base of the Company to finance its business development and/or to finance any future investment opportunities or any future needs in repaying its outstanding debt	Approximately HK$12.00 million has been used for the capital injections into Heng He, the remaining is deposited in bank and will be applied as intended
8 June 2016	Placing of new Shares under general mandate	HK$23.90 million	(i) as to not less than HK$19.14 million for the capital injection into Heng He as its general working capital to facilitate the expansion of the financial leasing business, by increasing the budget of funding amounts to the lessees and exploring other regions in the PRC; and (ii) the remaining for the strengthening of the general working capital base of the Company to finance its business development and/or to finance any future investment opportunities or any future needs in repaying its outstanding debt	Approximately HK$20.00 million has been used for the capital injection into Heng He. The remaining is deposited in bank and will be applied as intended

OUTLOOK

It is obvious that in the coming days of the year 2016 the Company as well as the Group will be continuously putting more weight on the financial services business.

The Directors believe that the acquisition of Hang He allowed the Group, without setting up a new financing company, to further develop its financing related business in the PRC through a direct working capital injection, and subsequently to enjoy the benefits of the capital leverage in Heng He. Looking forward, in view of the growth potential of the financial leasing industry in the PRC, the Directors consider that this acquisition will enhance the performance of the Group and the return to the Shareholders as a whole.

It is anticipated that more deals would be concluded during the second half of the year 2016 by Heng He after the Company and its effort in adapting to the required disclosure as required by and set forth in the GEM Listing Rules.

OUTLOOK *(continued)*

During its business process, Heng He had developed its credit rating system that was compatible to those used by the other financial institutions, including banks, and government organizations. As a results, it is sensible for it to invest and explore and diverse into the formation of Merdeka Credit, which is to carry out a business to be principally engaged in the provision of various kinds of credit information services to local and overseas institutional investors, financial institutions, regulatory authorities, government departments and economic research houses. The Directors considered that it would be in the interests of the Company and its Shareholders as a whole for Heng He to expand into business that is relating to its own financial leasing business, which in turn will be beneficial to the Group by increasing its revenue and profits. The Directors expect that the establishment of Merdeka Credit will bring to Heng He a new source of income and in turn benefit the Company and its Shareholders as a whole.

Regarding the money lending business, the Company continuously receives enquiries from various customers, however, the Company is cautious in concluding the transaction in order to lower the risk in money-laundering and, more practical, the risk of bad debt. It is expected that the income from money lending business will grow steadily and healthily.

After the completion of the acquisition of Xiaxin, the Company has further expanded and diversified into the financial services by having a 100% indirect owned securities brokerage subsidiary. Furthermore, the Company has already set up an indirect wholly owned subsidiary for starting up assets management business and to apply for a relevant license with the SFC in due course in an appropriate time.

Trading business is expected to continuously providing a stable source of revenue to the Group and it is anticipate that the Group is continuously expanding its trading business into more variety of consumer products and into more geographical markets within the PRC. The Group is also commencing to OEM its trading products from various Asian countries including Japan, Korea and Malaysia.

For the information technology business, revenue would be mainly driven by the additional contribution from the consolidation of different acquired entities into a single stream of income. The Group is also shifting its mobile and cloud information technology centre into Mian Yang, the PRC to Heng Da. Complementing the trading business with its information technology business, the Group intends to commence trading consumer products into the PRC through its customers there by developing mobile and cloud based application software and operating related e-commence platform in the PRC. Another opportunity to complement the business of the Group lied on the development of mobile and cloud based applications in relation to the financial services provided or to be provided by the Group, in terms of, namely, financial leasing, money lending and securities brokerage in accordance with the permission under the laws of Hong Kong and the PRC.

PROMISSORY NOTES

The Group had an outstanding principal of promissory notes of approximately HK$55,600,000, which consists of two promissory notes. The promissory note issued pursuant to the agreement in relation to the acquisition of Ever Hero Group Limited in 2014 (the "2014 PN") with an outstanding principal of approximately HK$23,600,000 is charged at interest rate of 2% per annum and the settlement date is 4 April 2017. The promissory note issued pursuant to the agreement in relation to the acquisition of Blossom Height Ventures Limited in 2015 (the "2015 PN") with an outstanding principal of approximately HK$32,000,000 is non-interest bearing and the settlement date is 21 April 2018.

LITIGATION

On 22 January 2015, the Company announced that a writ of summons was issued in the Court of First Instance of the High Court of Hong Kong by Au Kai To Karel, as the plaintiff claiming against (i) End User Technology Limited, an indirect wholly-owned subsidiary of the Company, as the 1st Defendant; (ii) the Company, as the 2nd Defendant; and (iii) Lau Chi Yan Pierre, the managing director and executive director of the Company, as the 3rd 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); or (2) alternatively, the damages in the sum of HK$8,000,000 in lieu of specific performance; and (3) the interest; (4) further and/or other relief; and (5) the costs. The Company have instructed legal representative to handle the matter, and was advised that the claim does not have merits as the agreement had been duly and completely performed. The three defendants, namely the Company, its subsidiary and Mr. Lau Chi Yan, Pierre have filed the relevant statements of defence and counterclaim with the High Court accordingly. On 3 August 2016, the parties attended the mediation as ordered by court, formal result of which is pending to be received by the Company.

PROFIT GUARANTEE IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF BLOSSOM HEIGHT VENTURES LIMITED

On 21 April 2015, the Group completed the acquisition of the entire issued capital of Blossom Height Ventures Limited, investment of which is primarily in the shareholding interests in Hang He, and in accordance with the terms of the relevant acquisition agreement dated 31 October 2014, the Vendor has given to and for the benefit of the Purchaser a profit guarantee that the consolidated net profit after taxation and any extraordinary and exceptional items for each of the three years ending 31 December 2015, 2016 and 2017 shall not be less than HK$10 million.

As confirmed by the auditor of the Company, the recorded actual profit before taxation and before extraordinary items of the Blossom Height Group exceeded the Guaranteed Profit for the year ended 31 December 2015 and the Guarantee Certificate has been received by the Company.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 8 June 2016 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company placed, under the General Mandate granted 24 May 2016, through the Placing Agent, on a best endeavour basis, up to 270,000,000 placing shares, to not less than six placees who and whose ultimate beneficial owners will be independent third parties at a price of HK$ 0.092 per placing share.

The completion of the Placing took place on 24 June 2016 in accordance with the terms and conditions of the Placing Agreement. The Company received net proceeds of approximately HK$23.90 million (after deduction of commission and other expenses of the Placing) from the Placing. The entire net proceeds from the Placing will be applied (i) as to not less than HK$19.14 million for the capital injection into Heng He as its general working capital to facilitate the expansion of the financial leasing business, by increasing the budget of funding amounts to the lessees and exploring other regions in the PRC; and (ii) the remaining for the strengthening of the general working capital base of the Company to finance its business development and/or to finance any future investment opportunities or any future needs in repaying its outstanding debts.

COMPLETION OF ACQUISITION OF XIAXIN

On 6 July 2016 the SFC granted the approval for the application by the Company to become the substantial shareholder of XiaXin, as a result, all the conditions precedent to the acquisition of XiaXin have been fulfilled and the completion (the "Completion") took place on 15 July 2016. Following the Completion, XiaXin has become an indirect wholly-owned subsidiary of the Company and the financial results of XiaXin will be consolidated into the accounts of the Group.

MAJOR TRANSACTION IN RELATION TO THE FINANCE LEASE AGREEMENT AND THE FACTORING AGREEMENT

As disclosed in the Company's announcement dated 1 August 2016 (the "FL Announcement"), on 1 August 2016 (after trading hours), Heng He entered into a finance lease agreement (the "Finance Lease Agreement") with 大連船舶重工集團海洋工程有限公司 (Dalian Shipbuilding Industry Offshore Co., Ltd.*) (the "Lessee"), pursuant to which Heng He conditionally agreed to purchase the Leased Assets (as defined therein the FL Announcement) from the Lessee at a total consideration of RMB1,000 million (approximately HK$1,170 million), which would be leased back to the Lessee at the aggregate lease receivables of approximately RMB1,103.39 million (approximately HK$1,291 million) (the "Lease Receivables") for a term of 2 years (the "Lease Period"), commencing on the date of payment of the consideration for the Leased Assets.

Incidental to the entering into of the Finance Lease Agreement, Heng He entered into a factoring agreement (the "Factoring Agreement") with 上海浦東發展銀行股份有限公司 (Shanghai Pudong Development Bank Co., Ltd.*), Dalian Branch (the "Lender") on 1 August 2016. Pursuant to the Factoring Agreement, the Lender agreed to provide a loan facility of RMB1,000 million (approximately HK$1,170 million) to Heng He for the Lease Period solely for the purpose of financing the consideration for the Leased Assets under the Finance Lease Agreement and Heng He agreed to assign the Lease Receivables under the Finance Lease Agreement to the Lender without recourse and the Lender will half-yearly, after deducting the handling fee and the Loan Repayment (as defined therein the FL Announcement), remit the Lease Receivables received by it from the Lessee to Heng He over the Lease Period.

As certain applicable percentage ratio(s) calculated under the GEM Listing Rules in respect of the transactions of entering into the Finance Lease Agreement and the Factoring Agreement are more than 100% but the transactions contemplated thereunder do not involve acquisition or disposal of assets, the transactions contemplated thereunder constitute a major transaction for the Company and are therefore subject to the notification, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. An Extraordinary General Meeting of the shareholders of the Company (the "EGM") will be convened to consider and, if thought fit, pass the ordinary resolution(s) to approve, among other things, the Finance Lease Agreement and the Factoring Agreement and the transactions contemplated thereunder. A circular containing, among other things, further details of the Finance Lease Agreement and the Factoring Agreement and a notice of the EGM, will be despatched to the shareholders of the Company accordingly.

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HENG HE CAPITAL INJECTION

The Company has injected the sum of approximately RMB20.28 million (approximately HK$23.59 million) in cash into Heng He as its registered and paid capital for use as general working capital to facilitate the expansion of the financial leasing business. As a result, the Company's interest in Heng He increases to 64.71% with effect from 26 July 2016.

CAPITAL STRUCTURE AND GEARING RATIO

	As at 30 June 2016		As at 31 December 2015	
	HK$'000 (Unaudited)	**Proportion**	HK$'000 (Audited)	Proportion
Total borrowings				
– Bank borrowings	**580,115**	**74.99%**	851,824	83.66%
– Convertible bonds (liability component)	**107,029**	**13.83%**	100,205	9.84%
– Finance lease obligations	**2,423**	**0.31%**	2,867	0.28%
– Promissory notes	**50,294**	**6.50%**	47,627	4.68%
	739,861	**95.63%**	1,002,523	98.46%
Equity attributable to owners of the Company	**33,811**	**4.37%**	15,679	1.54%
Total capital employed	**773,672**	**100%**	1,018,202	100%

As at 30 June 2016, the overall gearing ratio was slightly improved by 2.83% as a result of the following activities carried out during the first half of this year. The Company repaid part of the short term bank borrowings obtained in the PRC, thus led to a decrease in the outstanding bank borrowings. Also, the Company raised two batches of fund raising activities by process of placing under general mandate, thus led to an increase in the equity attributable to the owners of the Company.

During the first half of this year, there was no conversion or redemption of the convertible bonds. The increase in the convertible bonds was solely due to the addition of the imputed interest. As such, the outstanding principal amount of the convertible bonds remained approximately HK$124.1 million with the maturity date due on 12 August 2017.

There are 2 batches of promissory notes collectively referred as 2014 PN and 2015 PN respectively. As at 30 June 2016, the outstanding principal and coupon interest of the 2014 PN amounted to approximately HK$26.6 million (31 December 2015: HK$26.6 million) which was due in April 2017. In April 2015, the Company issued the principal amount of HK$32 million of 2015 PN as part of the consideration to acquire the 40% equity interests in Heng He. The 2015 PN will be matured in October 2018.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 30 June 2016 (Unaudited) HK$'000	As at 31 December 2015 (Audited) HK$'000
Current assets	**381,951**	570,963
Current liabilities	**176,717**	406,266
Current ratio	**2.16**	1.41

As explained in the preceding paragraph above, the repayment of short term bank borrowings and carrying out of fund raising activities led to an improvement of current ratio from 1.41 as at 31 December 2015 to 2.16 as at 30 June 2016.

As at 30 June 2016, the Group's cash and cash equivalents amounted to approximately HK$97.0 million (31 December 2015: HK$52.8 million) among which, there was a HK$4.0 million time deposit placed as a security to obtain a general banking facility (2015: nil).

FOREIGN CURRENCY EXPOSURE

The Group's reporting currency is Hong Kong dollar. During the period ended 30 June 2016 and the year ended 31 December 2015, most of the Group's transactions were denominated in Hong Kong dollars ("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 Mainland China. 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.

CONTINGENT LIABILITIES

As at 30 June 2016 and 31 December 2015, the Group did not have any significant contingent liabilities.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not dispose of any material subsidiaries and associates during the period ended 30 June 2016.

SIGNIFICANT INVESTMENTS

The Group did not acquire or hold any significant investments during the period under review.

PLEDGE OF ASSETS

As at 30 June 2016, the finance lease assets held by the leases with the carrying value of approximately RMB581.7 million (equivalent to approximately HK$679.3 million) had been pledged to the bank so as to secure for the loan facilities granted to the Group (31 December 2015: RMB802.1 million, equivalent to approximately HK$957.8 million).

Also, a time deposit of HK$4 million had been pledged to the bank in order to secure for a general banking facility amounted to HK$7 million (31 December 2015: nil).

CAPITAL COMMITMENTS

As at 30 June 2016 and 31 December 2015, the Group did not have any significant capital commitments.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group employed 35 staff (31 December 2015: 35). The Group's remuneration policy is built 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.

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the "Board") of the Company is pleased to announce that the unaudited condensed consolidated interim results of the Group for the three months and the six months ended 30 June 2016, together with the comparative unaudited figures for the corresponding periods in 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016	2015	**2016**	2015
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
		HK$'000	HK$'000	**HK$'000**	HK$'000
REVENUE	2	**48,265**	29,814	**97,177**	39,322
Cost of sales		**(45,215)**	(27,184)	**(91,136)**	(35,868)
Gross profit		**3,050**	2,630	**6,041**	3,454
Other income and other net gains and losses		**1,366**	(1,216)	**1,419**	(2,460)
Gain from bargain purchase arising on acquisition of a subsidiary		**–**	2,139	**–**	2,139
Operating and administrative expenses		**(7,664)**	(5,624)	**(15,610)**	(9,498)
Impairment of trade receivables		**(3)**	–	**(3)**	–
Written off of inventories		**(53)**	–	**(53)**	–
Finance costs	5	**(4,766)**	(4,018)	**(9,567)**	(7,694)
Share of results of an associate		**–**	2,048	**–**	2,048
LOSS BEFORE TAX	4	**(8,070)**	(4,041)	**(17,773)**	(12,011)
Income tax	6	**(145)**	(198)	**(200)**	(1,428)
LOSS FOR THE PERIOD		**(8,215)**	(4,239)	**(17,973)**	(13,439)
Loss attributable to:					
Owners of the Company		**(8,585)**	(4,009)	**(18,117)**	(13,140)
Non-controlling interests		**370**	(230)	**144**	(299)
		(8,215)	(4,239)	**(17,973)**	(13,439)
		HK$	HK$ Restated	**HK$**	HK$ Restated
LOSS PER SHARE					
Basic and diluted	8	**(0.006)**	(0.005)	**(0.012)**	(0.017)

Details of the dividends payable and proposed for the periods are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	**2016**	2015
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
LOSS FOR THE PERIOD	**(8,215)**	(4,239)	**(17,973)**	(13,439)
Other comprehensive loss, after tax:				
Exchange difference on translating of financial statements of overseas subsidiaries	**(5,698)**	11	**(4,548)**	11
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(13,913)**	(4,228)	**(22,521)**	(13,428)
Total comprehensive loss attributable to:				
Owners of the Company	**(11,660)**	(4,007)	**(20,534)**	(13,138)
Non-controlling interests	**(2,253)**	(221)	**(1,987)**	(290)
	(13,913)	(4,228)	**(22,521)**	(13,428)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**5,779**	5,841
Available-for-sale investments		**9,066**	10,036
Financial lease receivables	11	**517,541**	530,520
Total non-current assets		**532,386**	546,397
Current assets			
Inventories		**3,039**	3,952
Trade receivables	10	**3,992**	4,854
Financial lease receivables	11	**243,047**	488,077
Loan receivables	12	**7,961**	7,451
Prepayments, deposits and other receivables		**26,913**	13,714
Deferred tax assets		**–**	76
Cash and cash equivalents	13	**96,999**	52,839
Total current assets		**381,951**	570,963
Total assets		**914,337**	1,117,360
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	16	**1,620**	1,225
Reserves		**32,191**	14,454
		33,811	15,679
Non-controlling interests		**77,398**	68,015
Total equity		**111,209**	83,694

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
As at 30 June 2016

	Notes	**30 June 2016 (Unaudited) HK$'000**	31 December 2015 (Audited) HK$'000
Non-current liabilities			
Convertible bonds	*14*	**107,029**	100,205
Promissory notes		**50,294**	47,627
Finance lease obligations due more than one year		**1,968**	1,968
Bank borrowings due more than one year		**467,120**	477,600
		626,411	627,400
Current liabilities			
Bank borrowings due within one year		**112,995**	374,224
Finance lease obligations due within one year		**455**	899
Trade payables	*17*	**11,019**	19,869
Other payables and accruals		**52,248**	7,772
Tax payables		**–**	3,502
Total current liabilities		**176,717**	406,266
Total liabilities		**803,128**	1,033,666
Total equity and liabilities		**914,337**	1,117,360
Net current assets		**205,234**	164,697
Net assets		**111,209**	83,694

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company										
	Issued capital (Unaudited) HK$'000	Share premium account (Unaudited) HK$'000	Contributed surplus (Unaudited) HK$'000	Equity component of convertible bonds (Unaudited) HK$'000	Share option reserve (Unaudited) HK$'000	Capital reduction reserve (Unaudited) HK$'000	Exchange fluctuation reserve (Unaudited) HK$'000	Accumulated losses (Unaudited) HK$'000	Total (Unaudited) HK$'000	Non-controlling interests (Unaudited) HK$'000	Total equity (Unaudited) HK$'000
At 1 January 2015	30,643	810,692	66,710	22,728	963	132,931	(54)	(1,051,679)	12,934	(9,472)	3,462
Changes in equity for 2015:											
Loss for the period	–	–	–	–	–	–	–	(13,140)	(13,140)	(299)	(13,439)
Other comprehensive income	–	–	–	–	–	–	2	–	2	9	11
Total comprehensive loss	–	–	–	–	–	–	2	(13,140)	(13,138)	(290)	(13,428)
Capital reduction of issued shares	(30,260)	–	–	–	–	30,260	–	–	–	–	–
Acquisition of subsidiaries	–	–	–	31,235	–	–	–	–	31,235	1,241	32,476
At 30 June 2015	383	810,692	66,710	53,963	963	163,191	(52)	(1,064,819)	31,031	(8,521)	22,510
At 1 January 2016	**1,225**	**884,832**	**66,710**	**53,115**	**27,363**	**163,191**	**(4,134)**	**(1,176,623)**	**15,679**	**68,015**	**83,694**
Changes in equity for 2016:											
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(18,117)**	**(18,117)**	**144**	**(17,973)**
Other comprehensive loss	**-**	**-**	**-**	**-**	**-**	**-**	**(2,395)**	**(22)**	**(2,417)**	**(2,131)**	**(4,548)**
Total comprehensive loss	**-**	**-**	**-**	**-**	**-**	**-**	**(2,395)**	**(18,139)**	**(20,534)**	**(1,987)**	**(22,521)**
Distribution of reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,666)**	**(6,666)**
Formation of a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**18,036**	**18,036**
Issue of shares under placing	**395**	**38,271**	**-**	**-**	**-**	**-**	**-**	**-**	**38,666**	**-**	**38,666**
At 30 June 2016	**1,620**	**923,103**	**66,710**	**53,115**	**27,363**	**163,191**	**(6,529)**	**(1,194,762)**	**33,811**	**77,398**	**111,209**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	**Six months ended 30 June** **2016** **(Unaudited)** **HK$'000**	2015 (Unaudited) HK$'000
Net cash flows generated from operating activities		**212,089**	10,131
Net cash flows generated from/(used in) investing activities		**59,432**	(3,748)
Net cash flows used in financing activities		**(225,922)**	(20,409)
Net increase/(decrease) in cash and cash equivalents		**45,599**	(14,026)
Cash and cash equivalents at beginning of period		**52,839**	32,207
Effect of foreign exchange rate changes, net		**(1,439)**	22
Cash and cash equivalents at end of period		**96,999**	18,203
Analysis of the balances of cash and cash equivalents:			
Cash and bank balances	*13*	**96,999**	18,203

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim results 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated interim results also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The unaudited condensed consolidated interim results have been prepared under historical cost convention except for 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 unaudited condensed consolidated interim results should be read in conjunction with the Group's audited annual financial statements for the year ended 31 December 2015 (the "2015 Annual Report"). The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the 2015 Annual Report.

The Group has adopted the standards, amendments and interpretations that have been issued and effective for the accounting period beginning on 1 January 2016. The adoption of such standards, amendments and interpretations does not have material financial effect on this quarterly results.

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2016 have been reviewed by the Company's audit committee (the "Audit Committee").

2. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, the value of services rendered and interest income from financial services during the six months period under review.

An analysis of revenue is as follows:

	Three months ended 30 June		**Six months ended 30 June**	
	2016	2015	**2016**	2015
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Revenue from:				
Trading business	**36,507**	26,549	**72,118**	35,060
Financial services business	**11,450**	2,828	**24,484**	3,722
Information technology business	**308**	288	**535**	391
Other business	**–**	149	**40**	149
	48,265	29,814	**97,177**	39,322

3. SEGMENT REPORTING

For management purposes, the Group is organised into business units based on its products and services and has five reportable operating segments as follows:

(a) the trading business segment is engaged in the trading of goods, components and accessories;

(b) financial services business segment is engaged in provision of financial leasing services and the provision of money lending services thereon;

(c) the information technology business segment is engaged in distributorship of information technology products and the provision of relevant technical support services; and

(d) other business segment is engaged in servicing business, such as training course provision.

Executive directors, who are the chief operating decision makers, monitor the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, finance costs, equity-settled share option expenses, as well as head office and corporate expenses are excluded from such measurement.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arose from the depreciation or amortisation of assets attributable to those segments.

Segment assets include non-current assets and current assets with the exception of certain assets unallocated to an individual reportable segment.

Segment liabilities include non-current liabilities and current liabilities with the exception of tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

3. SEGMENT REPORTING *(continued)*

For the six months ended 30 June 2016

	Trading business (Unaudited) HK$'000	Financial services business (Unaudited) HK$'000	Information technology business (Unaudited) HK$'000	Other business (Unaudited) HK$'000	Total (Unaudited) HK$'000	Unallocated (Unaudited) HK$'000	Group Total (Unaudited) HK$'000
Segment revenue:							
Revenue from external customers	**72,118**	**24,484**	**535**	**40**	**97,177**	**–**	**97,177**
Operating profit/(loss)	**(242)**	**807**	**(488)**	**10**	**87**	**–**	**87**
Interest income	**–**	**30**	**–**	**–**	**30**	**20**	**50**
Finance costs	**(15)**	**–**	**–**	**–**	**(15)**	**(9,552)**	**(9,567)**
Other expenses	**–**	**–**	**–**	**–**	**–**	**(8,343)**	**(8,343)**
Profit/(loss) before tax	**(257)**	**837**	**(488)**	**10**	**102**	**(17,875)**	**(17,773)**
Additions for non-current assets	**15**	**1,013**	**–**	**–**	**1,028**	**20**	**1,048**
Depreciation	**(47)**	**(334)**	**(36)**	**–**	**(417)**	**(658)**	**(1,075)**

For the six months ended 30 June 2015

	Trading business (Unaudited) HK$'000	Financial services business (Unaudited) HK$'000	Information technology business (Unaudited) HK$'000	Other business (Unaudited) HK$'000	Total (Unaudited) HK$'000	Unallocated (Unaudited) HK$'000	Group Total (Unaudited) HK$'000
Segment revenue:							
Revenue from external customers	35,060	391	3,722	149	39,322	–	39,322
Operating profit/(loss)	1,136	283	(3,092)	35	(1,638)	–	(1,638)
Interest income	–	–	–	–	–	46	46
Gain from bargain purchase arising on acquisition of a subsidiary	–	–	–	–	–	2,139	2,139
Share of results of an associate	–	2,048	–	–	2,048	–	2,048
Finance costs	–	–	–	–	–	(7,694)	(7,694)
Other expenses	–	–	–	–	–	(6,912)	(6,912)
Profit/(loss) before tax	1,136	2,331	(3,092)	35	410	(12,421)	(12,011)
Additions for non-current assets	178	–	120	–	298	1,465	1,763
Depreciation	(22)	–	(26)	–	(48)	(880)	(928)

3. SEGMENT REPORTING *(continued)*

As at 30 June 2016

	Trading business (Unaudited) HK$'000	Financial services business (Unaudited) HK$'000	Information technology business (Unaudited) HK$'000	Other business (Unaudited) HK$'000	Total (Unaudited) HK$'000	Unallocated (Unaudited) HK$'000	Group Total (Unaudited) HK$'000
Segment assets	**15,883**	**851,386**	**5,602**	**289**	**873,160**	**–**	**873,160**
Cash and cash equivalents	**–**	**–**	**–**	**–**	**–**	**32,533**	**32,533**
Other assets	**–**	**–**	**–**	**–**	**–**	**8,644**	**8,644**
Total assets	**15,883**	**851,386**	**5,602**	**289**	**873,160**	**41,177**	**914,337**
Segment liabilities	**(4,875)**	**(634,765)**	**(2,679)**	**–**	**(642,319)**	**–**	**(642,319)**
Convertible bonds	**–**	**–**	**–**	**–**	**–**	**(107,029)**	**(107,029)**
Promissory notes	**–**	**–**	**–**	**–**	**–**	**(50,294)**	**(50,294)**
Other liabilities	**–**	**–**	**–**	**–**	**–**	**(3,486)**	**(3,486)**
Total liabilities	**(4,875)**	**(634,765)**	**(2,679)**	**–**	**(642,319)**	**(160,809)**	**(803,128)**

As at 31 December 2015

	Trading business (Audited) HK$'000	Financial services business (Audited) HK$'000	Information technology business (Audited) HK$'000	Other business (Audited) HK$'000	Total (Audited) HK$'000	Unallocated (Audited) HK$'000	Group Total (Audited) HK$'000
Segment assets	12,694	1,073,223	5,983	282	1,092,182	–	1,092,182
Cash and cash equivalents	–	–	–	–	–	18,118	18,118
Other assets	–	–	–	–	–	7,060	7,060
Total assets	12,694	1,073,223	5,983	282	1,092,182	25,178	1,117,360
Segment liabilities	(1,428)	(874,815)	(2,962)	(3)	(879,208)	–	(879,208)
Convertible bonds	–	–	–	–	–	(100,205)	(100,205)
Promissory notes	–	–	–	–	–	(47,627)	(47,627)
Other liabilities	–	–	–	–	–	(6,626)	(6,626)
Total liabilities	(1,428)	(874,815)	(2,962)	(3)	(879,208)	(154,458)	(1,033,666)

3. SEGMENT REPORTING *(continued)*

Geographical information

(a) Revenue from external customers

	Six months ended 30 June 2016 (Unaudited) HK$'000	Six months ended 30 June 2015 (Unaudited) HK$'000
Hong Kong (place of domicile)	**73,191**	39,322
PRC	**23,986**	–
	97,177	39,322

The revenue information is based on the location of the customers.

(b) Non-current assets

	As at 30 June 2016 (Unaudited) HK$'000	As at 31 December 2015 (Audited) HK$'000
Hong Kong (place of domicile)	**4,079**	4,851
China	**1,700**	990
	5,779	5,841

The non-current asset information is based on the location of assets.

3. SEGMENT REPORTING *(continued)*

Information about major customers

Revenues from customers contributing 10% or more of the total sales of the Group are as follows:

	Six months ended 30 June 2016 (Unaudited) HK$'000	Six months ended 30 June 2015 (Unaudited) HK$'000
Customer A – revenue from trading business – Hong Kong	**43,352**	–
Customer B – revenue from financial services business – PRC	**12,819**	–
Customer C – revenue from trading business – Hong Kong	**–**	7,181
Customer D – revenue from trading business – Hong Kong	**–**	4,627
	56,171	11,808

4. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Three months ended 30 June		**Six months ended 30 June**	
	2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000	**2016 (Unaudited) HK$'000**	2015 (Unaudited) HK$'000
Depreciation	**547**	445	**1,075**	928
Staff costs (including directors' emoluments)	**2,906**	1,464	**5,873**	2,911

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	**2016**	2015
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Imputed interest charge on convertible bonds *(note 1)*	**3,468**	3,037	**6,824**	5,945
Imputed interest charge on promissory notes	**1,136**	788	**2,431**	1,292
Coupon interest charge on promissory notes	**118**	152	**236**	388
Interest charge on bank borrowings	**9,524**	–	**20,384**	–
Interest charge on finance lease obligation *(note 2)*	**30**	41	**62**	69
	14,276	4,018	**29,937**	7,694
Less: interest charge on bank borrowings included in cost of sales	**(9,510)**	–	**(20,370)**	–
	4,766	4,018	**9,567**	7,694

Notes:

(1) The charge represents the imputed interest on the liability component of the convertible bonds for both periods.

(2) Interest on financing the acquisition of motor vehicles.

6. INCOME TAX

Income tax recognized in profit or loss is shown as follows:

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	**2016**	2015
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong profits tax:				
– current	**–**	198	**–**	198
– (over) under provision in prior years	**–**	–	**(20)**	1,230
PRC enterprise income tax:				
– current	**–**	–	**75**	–
– under provision in prior years	**145**	–	**145**	–
Total income tax recognised in profit or loss	**145**	198	**200**	1,428

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both periods.

There was no income tax relating to the other comprehensive income for both periods.

7. DIVIDEND

No interim dividend has been paid or declared by the Company or any of its subsidiaries during the six months ended 30 June 2016 (2015: Nil).

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the three months and six months ended 30 June 2016 and the weighted average number of ordinary shares in issue during the period.

The calculation of basic and diluted loss per share is based on:

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	**2016**	2015
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loss				
Loss attributable to owners of the Company	**(8,585)**	(4,009)	**(18,117)**	(13,140)

	Number of shares (in thousands)			
		(Restated)		(Restated)
Shares				
Weighted average number of ordinary shares in issue during the period	**1,535,161**	756,698	**1,467,084**	756,698

No adjustment has been made to the basic loss per share amounts presented for the periods ended 30 June 2016 and 2015 in respect of a dilution as the impact of the convertible bonds and share options outstanding had an anti-dilutive effect on the basic loss per share.

The calculation of the basis loss per share for the prior reporting period have been restated as a result of the open offer effected on 10 August 2015.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired approximately HK$1,048,000 in motor vehicles and computer and office equipment (2015: HK$1,763,000).

10. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the end of the reporting date, based on the invoice date and net of impairment, is as follows:

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Within 30 days	**295**	1,577
31 to 60 days	**155**	33
61 to 120 days	**81**	977
Over 120 days	**3,461**	2,267
At end of the period/year	**3,992**	4,854

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 aged analysis of the trade receivables that are not considered to be impaired is as follows:

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Not impaired	**3,992**	4,854

Receivables that were not impaired relate to customers for whom there were no recent history of default. The Group does not hold any collateral over these balances.

11. FINANCIAL LEASE RECEIVABLES

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Current financial lease receivables	**243,047**	488,077
Non-current financial lease receivables	**517,541**	530,520
At end of the period/year	**760,588**	1,018,597

Amount receivable under finance leases

	Minimum lease payment		**Present value of minimum lease payment**	
	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000	**30 June 2016 (Unaudited) HK$'000**	31 December 2015 (Audited) HK$'000
Not later than one year	**276,705**	521,179	**243,047**	488,077
Later than one year	**554,946**	593,570	**517,541**	530,520
	831,651	1,114,749	**760,588**	1,018,597
Unearned finance income	**(71,063)**	(96,152)	**N/A**	N/A
Present value of minimum lease payment	**760,588**	1,018,597	**760,588**	1,018,597

The interest rate inherent in the leases was fixed at the contract date for the entire lease term. The average interest rate was approximately 4.9% per annum as at 30 June 2016 (31 December 2015: 5.2%).

Financial 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 leasee.

The financial lease receivables as at 30 June 2016 are neither past due nor impaired.

12. LOAN RECEIVABLES

The Group's loan receivables arose from the money lending business during the periods.

Loan receivables bear interest at rates, and with credit periods, mutually agreed between the contracting parties. Loan receivables are secured by personal guarantees by the debtors/ certain individuals. Overdue balances are reviewed regularly and handled closely by senior management.

The loan receivables at the end of the reporting period are analysed by the remaining period to contractual maturity date as follows:

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Repayable:		
Within 3 months	**6,061**	2,100
3 months to 1 year	**1,900**	5,351
	7,961	7,451

The aged analysis of the loan receivables that are not individually nor collectively considered to be impaired is as follows:

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Neither past due nor impaired	**2,900**	5,901
1 to 3 months past due not impaired	**5,061**	1,550
	7,961	7,451

The interest rate was fixed at the contract date. The average interest rate was at 1% to 2.5% per month as at 30 June 2016 (31 December 2015: 1% to 2.5% per month).

Loan receivables that were neither past due nor impaired relate to certain debtors for whom there was no recent history of default.

Loan receivables that were past due but not impaired relate to independent debtors. The directors of the Company are of the opinion that no provision for impairment is necessary as the balance is considered fully recoverable.

13. CASH AND CASH EQUIVALENTS

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Cash and cash equivalents	**96,999**	52,839

At 30 June 2016, included in the cash and cash equivalents of approximately HK$57.8 million (31 December 2015: HK$29.7 million) that was denominated in RMB, and approximately HK$38.0 million, about 39.2% (31 December 2015: 41.5%) of the Group's cash and cash equivalents, were bank balances deposited with creditworthy banks of high credit ratings in HK, and among the Group's cash and cash equivalents about 37.1% (31 December 2015: 41.1%) were denominated in Hong Kong dollars.

14. CONVERTIBLE BONDS

The movement of the liability component of the convertible bonds was as follows:

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
At beginning of the period/year	**100,205**	87,803
Interest charged	**6,824**	12,402
At end of the period/year	**107,029**	100,205

15. BANK BORROWINGS

	Notes	**30 June 2016 (Unaudited) HK$'000**	31 December 2015 (Audited) HK$'000
Fixed rate:			
Secured bank borrowings repayable on demand	*a*	**206**	206
Secured bank borrowings due within one year	*b*	**112,789**	374,018
		112,995	374,224
Secured bank borrowings due more than one year, but not more than three years	*b*	**467,120**	477,600
At end of the period/year		**580,115**	851,824

Notes:

(a) The bank borrowings were secured by a personal guarantee given by a former director of a subsidiary of the Company. The interest rate was charged at 0.88% flat per month.

(b) Bank borrowings obtained in the PRC were secured by the finance lease assets held by the leasee with the carrying value of approximately RMB581.7 million (equivalent to approximately HK$679.3 million), as at 30 June 2016 (31 December 2015: approximately RMB802.1 million, equivalent to approximately HK$957.8 million). The interest rate of the bank borrowings were ranged from 5.0% to 6.3% per annum as at 30 June 2016 (31 December 2015: 5.1% to 6.3% per annum). The bank borrowings are denominated in RMB.

Included therein, a banking facility amounted to HK$7 million was secured by a time deposit of HK$4 million. The facility was utilised to the extent of approximately HK$3.9 million as at 30 June 2016 (31 December 2015: nil). This 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. As at 30 June 2016, none of the covenants relating to drawn facilities had been breached (31 December 2015: nil).

16. SHARE CAPITAL

	Notes	Company Number of shares in '000	Nominal values HK$'000
Authorised:			
As at 1 January 2015			
Ordinary shares of HK$0.08 each		2,500,000	200,000
Share sub-division	*a(i)*	197,500,000	–
As at 31 December 2015, 1 January and 30 June 2016			
Ordinary shares of HK$0.001 each		200,000,000	200,000
Issued and fully paid:			
As at 1 January 2015			
Ordinary shares of HK$0.08 each		383,031	30,643
Capital reduction	*a(ii)*	–	(30,260)
Ordinary shares of HK$0.001 each		383,031	383
Issue of offer shares	*(b)*	766,063	766
Issue of shares under general mandate	*(c)*	76,000	76
As at 31 December 2015, 1 January 2016			
Ordinary shares of HK$0.001 each		1,225,094	1,225
Issue of shares under general mandate	*(d)*	395,000	395
As at 30 June 2016			
Ordinary shares of HK$0.001 each		1,620,094	1,620

16. SHARE CAPITAL *(continued)*

Notes:

(a) On 6 January 2015 (Hong Kong time), the Company's proposal on the capital reorganization ("Capital Reorganisation") became effective. The Capital Reorganisation involved the following:

(i) each authorised but unissued share of the Company was sub-divided into eighty shares so that the nominal value of each unissued share was reduced from HK$0.08 to HK$0.001 each; and

(ii) the paid up capital of each issued share was reduced from HK$0.08 to HK$0.001 by cancelling the paid up capital to the extent of HK$0.079 so as to form a new share with nominal value of HK$0.001 each.

(b) On 10 August 2015, the Company issued offer shares on the basis of two offer shares for every one existing share held on 16 July 2015, at the subscription price of HK$0.09 per offer share with nominal value of HK$0.001 each, resulting in net proceeds of approximately HK$66.22 million, which would be used for (i) as to not less than 80% for the capital injection into Heng He as its general working capital to facilitate the expansion of the financial leasing business and (ii) the remaining net proceeds for strengthening the general working capital base of the Company to develop its existing information technology and trading businesses and/or to finance any future investment opportunities.

(c) On 17 August 2015, the Company entered into a General Mandate ("GM") placing agreement with a placing agent whereby the Company conditionally agreed to place through the Placing Agent, on a best endeavour basis, up to 76,000,000 Placing Shares, to not less than six placees at a price of HK$0.120 per GM placing share. The aggregate nominal value of the placing shares under the GM placing agreement was HK$76,000. The net proceeds from GM placing shares would be used for strengthening the general working capital to finance the business development and to finance any future investment opportunities of the Company.

(d) On 14 March 2016, the Company entered into a GM placing agreement with a placing agent whereby the Company conditionally agreed to place through the Placing Agent, on a best endeavour basis, up to 245,000,000 Placing Shares, to not less than six placees at a price of HK$0.119 per GM placing share. On 31 March 2016, the Company entered into a supplemental agreement with the placing agent to reduce the number of placing shares to 125,000,000. The aggregate nominal value of the placing shares under the GM placing agreement was HK$125,000.

And on 8 June 2016, the Company entered into another GM placing agreement with a placing agent whereby the Company conditionally agreed to place through the Placing Agent, on a best endeavour basis, up to 270,000,000 Placing shares, to not less than six placees at a price of HK$0.092 per GM placing share. The aggregate nominal value of the placing shares under the GM placing agreement was HK$270,000.

The net proceeds from both GM placing shares were for the purpose of strengthening the general working capital to finance the business development and to finance any future investment opportunities of the Company.

17. TRADE PAYABLES

An aged analysis of trade payables as at the end of reporting period based on the invoice date, are as follows:

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Within 30 days	**8,327**	17,514
31 to 60 days	**36**	236
61 to 120 days	**321**	–
Over 120 days	**2,335**	2,119
At end of the period/year	**11,019**	19,869

18. COMMITMENTS

(a) Operating lease commitments

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Properties		
Within one year	**2,458**	1,526
In the second to fifth years, inclusive	**1,428**	1,667
At end of the period/year	**3,886**	3,193

(b) Capital commitments

The Group did not have any material capital commitments as at 30 June 2016 (31 December 2015: Nil).

19. CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any significant contingent liabilities (31 December 2015: Nil).

20. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere to the unaudited condensed consolidated interim results, the Group have the following related party transactions.

			Three months ended 30 June		Six months ended 30 June	
Name of related party	Relationship	Nature of transaction	**2016 (Unaudited) HK$'000**	2015 (Unaudited) HK$'000	**2016 (Unaudited) HK$'000**	2015 (Unaudited) HK$'000
Lai Yau Hong, Thomson	Secretary of the Company	Loan interest payable	**6**	–	**16**	–
		Loan payable	**–**	–	**200**	–

Note: The interest rate of the loan was 1% per month. In the opinion of the directors, the transactions between the Group and the related party were conducted in the ordinary course of business.

Total compensation paid to key management personnel during the period amounted to approximately HK$2,988,000 (2015: HK$1,140,000).

21. COMPARATIVE FIGURES

As detailed in note 8, the comparative figures of loss per share have been restated to conform with the current period's presentation.

22. EVENTS AFTER THE REPORTING PERIOD

On 6 July 2016 the SFC granted the approval for the application by the Company to become the substantial shareholder of XiaXin, as a result, all the conditions precedent to the acquisition of XiaXin have been fulfilled and the Completion took place on 15 July 2016. Following the Completion, XiaXin has become an indirect wholly-owned subsidiary of the Company and the financial results of XiaXin will be consolidated into the accounts of the Group.

With effect from 26 July 2016, following the Company's injection of the amount for approximately RMB20.28 million (approximately HK$23.59 million) in cash into Heng He as its registered and paid capital for use as general working capital to facilitate the expansion of the financial leasing business, the Company's interest in Heng He increases to 64.71%.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, the directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules:

Interests and short positions in the shares and the underlying shares of the share options and the convertible bonds of the Company as at 30 June 2016

(i) Long positions in the shares of the Company:

	Number of the shares interested and nature of interest			Approximate percentage of the total issued share capital of the Company
Name of directors	**Personal**	**Founder of a discretionary trust**	**Total**	(%)
Cheung Wai Yin, Wilson *(Note)*	557,814	98,437,500	98,995,314	6.11
Lau Chi Yan, Pierre	3,984,375	–	3,984,375	0.25

Note: The interests disclosed include 98,437,500 Shares held by Ivana, a company incorporated in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly owned by Asiatrust Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder (as defined in the SFO) of which is Mr. Cheung and the discretionary objects of which are family members of Mr. Cheung (including Mr. Cheung himself). Accordingly, Mr. Cheung is deemed to be interested in the relevant Shares for the purpose of the SFO. Mr. Cheung is also personally interested in 557,814 Shares.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES *(continued)*

Interests and short positions in the shares and the underlying shares of the share options and the convertible bonds of the Company as at 30 June 2016 *(continued)*

(ii) Long positions in the underlying shares of the share options granted under the share option scheme of the Company:

Name of directors	Date of grant of the share options	Exercise period of the share options	Exercise price per share HK$	Number of the share options outstanding	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company (%)
Cheung Wai Yin, Wilson	19/8/2015	19/8/2015 - 18/8/2025	0.147	100,000,000	100,000,000	6.17
Lau Chi Yan, Pierre	19/8/2015	19/8/2015 - 18/8/2025	0.147	20,000,000	20,000,000	1.23
Yeung Mo Sheung, Ann	17/1/2013	17/1/2013 - 16/1/2023	2.130	16,483	16,483	0.001
	19/8/2015	19/8/2015 - 18/8/2025	0.147	1,000,000	1,000,000	0.062
Ng Kay Kwok	19/8/2015	19/8/2015 - 18/8/2025	0.147	1,000,000	1,000,000	0.062
Yip Kat Kong, Kenneth	19/8/2015	19/8/2015 - 18/8/2025	0.147	1,000,000	1,000,000	0.062

(iii) Long positions in the underlying shares of the convertible bonds of the Company:

Name of the holder of the convertible bonds	Principal amount of the convertible bonds HK$	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company (%)
Cheung Wai Yin, Wilson	110,000,000	297,619,048	18.37

Note: These convertible bonds (originally due on 12 August 2011 and extended to 12 August 2017) were issued by the Company on 12 August 2008 as part of the consideration to acquire the forestry business. They are unlisted, interest-free and convertible into the shares of the Company at the adjusted conversion price of HK$0.3696 per share of the Company (subject to adjustment according to the terms of the convertible bonds). The interest is held by Ivana, a company incorporated in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly owned by Asiatrust Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder (as defined in the SFO) of which is Mr. Cheung and the discretionary objects of which are family members of Mr. Cheung (including Mr. Cheung himself).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES *(continued)*

Interests and short positions in the shares and the underlying shares of the share options and the convertible bonds of the Company as at 30 June 2016 *(continued)*

Save as disclosed above, as at 30 June 2016, none of the directors and chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' Interests in Shares and Underlying Shares" above and "Share Option Scheme" below, at no time during the period for the six months ended 30 June 2016 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2016, the following persons (not being the directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

(i) Long positions in the shares of the Company:

Name of Shareholders	Nature of interest/capacity	Number of Shares	Approximate percentage of total issued share capital of the Company (%)
Ivana	Beneficial owner	98,437,500	6.08%
CW Limited *(Note 1)*	Controlled corporation	98,437,500	6.08%
Asiatrust Limited *(Note 1)*	Trustee	98,437,500	6.08%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(continued)*

(i) Long positions in the shares of the Company: *(continued)*

Notes:

(1) The interest is held by Ivana, a company incorporated in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiatrust Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder (as defined in the SFO) of which is Mr. Cheung and the discretionary objects of which are family members of Mr. Cheung (including Mr. Cheung himself).

(2) The percentage represented the percentage of the Company's share capital as stated in the relevant disclosure of interests forms.

(ii) Long positions in the underlying shares of the convertible bonds of the Company:

Name of Shareholders	Nature of interest/capacity	Number of underlying Shares	Approximate percentage of total issued share capital of the Company (%)
Ivana	Beneficial owner	297,619,048	18.37%
CW Limited *(Note 1)*	Controlled corporation	297,619,048	18.37%
Asiatrust Limited *(Note 1)*	Trustee	297,619,048	18.37%
Yihua Enterprise Limited	Beneficial owner	173,913,043	10.37%
Cheng Jun *(Note 2)*	Controlled corporation	173,913,043	10.37%
Gao Yun Feng *(Note 2)*	Controlled corporation	173,913,043	10.37%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(continued)*

(ii) Long positions in the underlying shares of the convertible bonds of the Company: *(continued)*

Notes:

(1) The interest is held by Ivana, a company incorporated in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiatrust Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder (as defined in the SFO) of which is Mr. Cheung and the discretionary objects of which are family members of Mr. Cheung (including Mr. Cheung himself).

(2) The interest is held by Yihua Enterprises Limited, a company incorporated in the British Virgin Islands owned as to 50% by Mr. Cheng Jun and 50% by Mr. Gao Yun Feng.

(3) The percentage represented the percentage of the Company's share capital as stated in the relevant disclosure of interests forms.

Save as disclosed above, the directors and chief executive of the Company are not aware that there is any party who, as at 30 June 2016, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The existing share option scheme of the Company (the "Share Option Scheme") was adopted by the shareholders of the Company and was effective on 3 May 2012. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. As at 30 June 2016, there were 233,390,855 share options outstanding under the Share Option Scheme. Based on these outstanding share options, the total number of shares available for issue is 233,390,855, which represents approximately 14.41% and 14.41% of the total issued share capital of the Company as at 30 June 2016 and the date of this announcement respectively.

SHARE OPTION SCHEME *(continued)*

Details of the movements of the share options under the Share Option Scheme during the period were as follows:

Name	Number of share options: Outstanding as at 1 January 2016	Granted during the period	Exercised during the period	Cancelled/ Lapsed During the period	Outstanding as at 30 June 2016	Date of grant of the share options	Exercise period of the share options	Price of the shares before the date of grant *(Note 2)* per share	Exercise price of the share options *(Note 1)* per share
Executive director									
Cheung Wai Yin, Wilson	100,000,000	0	0	0	100,000,000	19/8/2015	19/8/2015 - 18/8/2025	0.147	0.147
Lau Chi Yan, Pierre	20,000,000	0	0	0	20,000,000	19/8/2015	19/8/2015 - 18/8/2025	0.147	0.147
Independent non-executive director									
Yeung Mo Sheung, Ann	16,483	0	0	0	16,483	17/1/2013	17/1/2013 - 16/1/2023	0.010	2.130
	1,000,000	0	0	0	1,000,000	19/8/2015	19/8/2015 - 18/8/2025	0.147	0.147
Ng Kay Kwok	1,000,000	0	0	0	1,000,000	19/8/2015	19/8/2015 - 18/8/2025	0.147	0.147
Yip Kat Kong, Kenneth	1,000,000	0	0	0	1,000,000	19/8/2015	19/8/2015 - 18/8/2025	0.147	0.147
Employees and other eligible participants									
Employees	42,367	0	0	(14,126)	28,241	30/5/2012	30/5/2012 - 29/5/2022	0.017	3.600
	40,000,000	0	0	0	40,000,000	19/8/2015	19/8/2015 - 18/8/2025	0.147	0.147
Other eligible participants	332,003	0	0	0	332,003	30/5/2012	30/5/2012 - 29/5/2022	0.017	3.600
	14,128	0	0	0	14,128	17/1/2013	17/1/2013 - 16/1/2023	0.010	2.130
	70,000,000	0	0	0	70,000,000	19/8/2015	19/8/2015 - 18/8/2025	0.147	0.147
	233,404,981	0	0	(14,126)	233,390,855				

Notes:

1. The exercise price of the share options is subject to adjustment in the case of capitalisation issue, rights issue, subdivision or consolidation of the shares of the Company, or other similar changes in the Company's share capital.

2. The price of the shares of the Company before the date of the grant of the share options is the closing price of the shares of the Company as quoted on the Stock Exchange on the trading day immediately before the date on which the share options were granted.

SHARE OPTION SCHEME *(continued)*

Save as disclosed above, at the date of this announcement, no other share options were exercised subsequent to the balance sheet date.

No other feature of the share options granted was incorporated into the measurement of fair value.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company during the period for the six months ended 30 June 2016.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Corporate Governance Practices

In the opinion of the directors of the Company, the Company has complied with the code provisions under the Corporate Governance Code (the "CG Code") set out in Appendix 15 to the GEM Listing Rules throughout the period for the six months ended 30 June 2016, except for the following deviations from the code provisions of the CG Code:

Code Provision A.2.1

The Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

There is no separation of the roles of chairman and chief executive officer as set out in the Code Provision A.2.1.

Mr. Cheung Wai Yin, Wilson currently assumes the roles of both the chairman and chief executive officer of the Company. Traditionally, the chief executive officer of the Company also assumes the role of the chairman of the Company because it is believed that the structure of the Board ensures the balance of power and authority therefore no need to segregate the roles of the chairman and chief executive officer of the Company. Mr. Cheung has substantial experience that is essential to fulfilling the role of the chairman of the Company, at the same time, he has the appropriate management skills and business acumen that are the pre-requisites for assuming the role of the chief executive officer of the Company in the day-to-day management of the Group.

The Board is composed of six directors including three independent non-executive directors (the "INED(s)") with a balance of skills and experience appropriate for the requirements of the Group. Furthermore, the roles of the management of the Company's major operating subsidiaries are performed by the managing director and other individuals. The balance of power and authority is therefore ensured by the current structure of the Board. Whilst it does not believe that such role separation will improve the corporate performance, the Board appointed Mr. Lau Chi Yan, Pierre as managing director of the Company to take care of the day-to-day management of the Group. Apart from assuming the role as the chairman of the Company, Mr. Cheung Wai Yin, Wilson remains as the chief executive officer of the Company to formulate business as well as corporate development strategies, to direct and to supervise the Group's overall affairs.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES *(continued)*

Corporate Governance Practices *(continued)*

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.

In accordance with the articles of association of the Company, any director of the Company appointed to fill a casual vacancy shall hold office only until the next following AGM and shall then be eligible for re-election.

The Board considers that the Company is in compliance with paragraph 4(2) of Appendix 3 under the GEM Listing Rules and such a deviation is not material as casual vacancy seldom happens and duration between appointment to fill casual vacancy and the immediate following AGM is less than one year and is considered to be short.

Pursuant to the articles of association of the Company, the Chairman and managing director of the Company 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 Board considers that the continuity of the Chairman and the managing director of the Company and their leadership will be essential for the stability of the key management of the Board. On the other hand, the Board will ensure that the directors of the Company other than the Chairman and the managing director of the Company will rotate at least once every three years in order to comply with the Code Provision A.4.2.

Code Provision A.6.4

The Code Provision A.6.4 provides that the board should establish written guidelines no less exacting than the Model Code for Securities Transactions by Directors for relevant employees in respect of their dealings in the issuer's securities.

The Company has not adopted a code of conduct regarding the securities transactions by the directors 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 Company has also made specific enquiry of all directors of the Company and the Company is not aware of any non-compliance with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the period for the six months ended 30 June 2016.

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the 2015 Annual Report of the Company issued in March 2016.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES *(continued)*

Nomination Committee

The Company has established a nomination committee (the "Nomination Committee") with specific written terms of reference in line with the code provisions under the CG Code. The Nomination Committee consists of five members comprising three INEDs, namely Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth, and two executive directors, namely Mr. Cheung Wai Yin, Wilson and Mr. Lau Chi Yan, Pierre. The chairman of the Nomination Committee is elected by the members who are present at the meeting.

Remuneration Committee

The Company has established a remuneration committee (the "Remuneration Committee") with specific written terms of reference in line with the code provisions under the CG Code. The Remuneration Committee consists of five members comprising three INEDs, namely Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth, and two executive directors, namely Mr. Cheung Wai Yin, Wilson and Mr. Lau Chi Yan, Pierre. The chairman of the Remuneration Committee is elected by the members who are present at the meeting.

Audit Committee

The Company has established an audit committee (the "Audit Committee") with specific written terms of reference formulated in accordance with the requirements of the GEM Listing Rules. The primary duties of the Audit Committee are to 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 auditors of the Company.

The Audit Committee consists of three members comprising all the INEDs, namely Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth, one of whom is a qualified accountant and has extensive experience in accounting and financial matters. The chairman of the Audit Committee is elected by the members who are present at the meeting. All members of the Audit Committee hold the relevant industry or legal, accounting and financial experience necessary to advise on the Board's strategies and other related matters. All members of the Audit Committee have complete and unrestricted access to the external auditors and all employees of the Company.

The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2016, and confirmed that the preparation of such complied with applicable accounting principles and practices adopted by the Company and the requirements of the Stock Exchange, and adequate disclosure had been made.

The Company has published its Nomination Committee's, Remuneration Committee's and Audit Committee's terms of reference on its websites and that of the Stock Exchange pursuant to the GEM Listing Rules.

BOARD OF DIRECTORS

As at the date of this announcement, the directors of the Company are:

Executive Directors:
Mr. Cheung Wai Yin, Wilson *(Chairman and Chief Executive Officer)*
Mr. Lau Chi Yan, Pierre *(Managing Director)*

Independent Non-executive Directors:
Ms. Yeung Mo Sheung, Ann
Mr. Ng Kay Kwok
Mr. Yip Kat Kong, Kenneth

By Order of the Board of
Merdeka Financial Services GROUP LIMITED
Cheung Wai Yin, Wilson
Chairman and Chief Executive Officer

Hong Kong, 9 August 2016

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