



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 2017

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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 purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2017, Merdeka Financial Services Group Limited (the “Company”) and its subsidiaries (the “Group”) continued to engage in financial services business, trading business and information technology business. Financial services business includes the financial leasing business, the securities business and the money lending business. Trading business is stable but the information technology business remained challenging.

OPERATION REVIEW

It is obvious that commencing from the establishment of the money lending business to the acquisitions of 恒河融資租賃(上海)有限公司 (Heng He Finance Lease (Shanghai) Company Limited*) (“Heng He”) and Merdeka Capital Limited (“Merdeka Capital”) as well as the pending for completion acquisition of Heng Asset Management Limited (“Heng”), the Company is putting more weight on the financial services business.

During the period under review, Merdeka Capital, besides in developing its securities brokerage business, has been exploring the opportunities in developing a higher returns and, in turn, a more profitable business in taking up the role as a book-runner as well as a lead manager in respect of issuance of debts listed worldwide after concluding two transactions in Europe in 2016.

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. The Group has been approached by potential borrowers for provision of loans from time to time but management is cautious in making provision of loan to avoid possible bad debts.

Trading business continues to provide a stable source of revenue to the Group during the period under review and as the business is running steadily but competitive with a thin profit margin, 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 has been ordering OEM products from Asia countries that include Japan and Malaysia. With complimentary effects from the Group’s mobile and cloud information technology centre in Mian Yang, a city of Sichuan Province, the PRC, the Group’s trading arm, Source Easy Limited (“Source Easy”) has been expanding its customer base in the PRC.

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OPERATION REVIEW (Continued)

The Group's information technology business remained challenging during the period under review, mainly because of the keen competition and the rapid 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"). Currently, Heng Da has been developing mobile and cloud based application software and operating related e-commerce platform to trade the Group's consumer products in the PRC for Source Easy's trading products.

During the last quarter of 2016, Heng Da has franchised a mobile game licence from a provider to market and ran exclusively a mobile game platform in the Mian Yang city of Sichuan, the PRC. This is a small but meaningful step for Heng Da as it would get hold of the hand-on technology and experience in the mobile game industry in the PRC based on its own development on the mobile and cloud based application software.

DISCUSSION ON FINANCIAL RESULTS

For the six months period ended 30 June 2017, the Group's reported revenue reached approximately HK\$180.3 million, representing an increase of approximately 85.5% on a year-on-year basis. The significant increase in revenue were still contributed by the two major sources of revenue from trading business and financial services business. Trading business increased approximately HK\$57.5 million, representing approximately 79.8%, to reach approximately HK\$129.6 million, and financial services business which also increased approximately HK\$25.9 million, representing approximately 105.7%, to reach approximately HK\$50.4 million.

To correspond with the pace of growth in revenue, the Group's gross profit for the period under review was approximately HK\$14.0 million, representing approximately 131.5% increase on a year-on-year basis. The increase was mainly attributable to the financial services business segment.

Despite the significant growth in terms of dollar in both revenue and gross profit, under intensive competition in the overall business environment, the Group's overall gross profit margin maintained at similar level of approximately 7.8% as the comparable period of last year, slightly increased approximately 1.6% on a year-on-year basis.

In response to the growth in revenue, the cost of sales also increased approximately 82.5% to reach approximately HK\$166.3 million.

For the reason mentioned earlier, the loss before tax for the period under review improved drastically which reduced approximately 34.0% on a year-on-year basis with amount recorded at approximately HK\$11.7 million.

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FINANCIAL LEASING CONTRACTS

As at 30 June 2017, Heng He had the following finance lease contracts in the aggregate amount of RMB1,649.5 million. Details of the finance lease contracts are as follows:

	Principal Amount (RMB '000)	Date	Tenor	Interest rate per annum
Customer A (Note 1)	25,000	20 January 2017	3 years	6.175%
Customer B (Note 2)	460	31 March 2015	5 years	11.00%
Customer C (Note 3)	200,000	14 August 2015	3 years	6.67%
	200,000	31 August 2015	3 years	6.38%
Customer D (Note 4)	44,000	31 August 2015	3 years	11.00%
Customer E (Note 5)	1,000,000	1 August 2016	2 years	5.12%
Customer F (Note 6)	65,000	18 August 2016	3 years	6.18%
Customer G (Note 7)	115,000	20 October 2016	3 years	5.10%

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 the provision of auditing, taxation and business advisory services in the PRC.
3. A company based in the PRC which is principally engaged in the construction of port and transportation infrastructure in Asia, Africa and Europe.
4. A company based in Shanghai which is principally engaged in property development business in the PRC.
5. A company incorporated in the PRC which is a prime contractor company specialized in offshore engineering, construction, repair and conversion.
6. A company incorporated in the PRC which engages in digital networking and information technology development.
7. A company incorporated in the PRC which specialized in the provision of heat supply and industrial use steam.

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.

<u>Date of announcement</u>	<u>Fund raising activity</u>	<u>Net proceeds (approximately)</u>	<u>Intended use of proceeds</u>	<u>Actual use of proceeds</u>
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
19 June 2017	Placing of new Shares under general mandate	HK\$24.90 million	(i) as to HK\$23,600,000 for the full repayment of the outstanding principal of the 2014 PN (as defined hereinafter); 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	The net proceeds have been deposited in bank and will be applied as intended

OUTLOOK

Looking forward to year 2017 and after, the Group will continue to focus on the development of financial services business in both PRC and Hong Kong.

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. Furthermore, in view of the growth potential of the finance lease 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.

OUTLOOK (Continued)

Regarding the money lending business, the Company continuously receives enquiries from various customers, however, the Company is cautious in concluding the transactions in order to control the risk in money-laundering as well as, the risk of bad debt.

After the completion of the acquisition of Merdeka Capital, the Company has further expanded and diversified into the financial services by having a 100% indirect owned subsidiary in securities business.

To build on its success in the debt financing business in Europe, Merdeka Capital also taking advantage in the Group's appearance in the PRC by co-operation with the debt financing and issuance experts in listing debts issued by the PRC corporations on the stock exchanges worldwide. Merdeka Capital would continuously focusing on the role of book-runner and lead managers on these financing exercise of the significant sizes PRC corporations.

To cope with the Group's strategy in exploring the China market, the Board is studying the possibilities for Merdeka Capital to apply for the certificate of Hong Kong service suppliers which is the first step in applying for the preferential treatment under Mainland and Hong Kong closer economic partnership arrangement ("CEPA"). Under CEPA, it is anticipated that Merdeka Capital may enjoy preferential treatment when setting up business in its relevant sector in the Mainland China and is vigorously planning to establish strategic partnership co-operations with certain Mainland financial institutes of relevant business in sharing commercial resources in the extensive areas, including products and customer paths, for mutual developments.

In order to complement the Type 1 regulated activity currently undertaken by Merdeka Capital and to explore the opportunities in the asset management business to potential overseas clients through the overseas network of the Group in the near future, on 7 February 2017 (after trading hours), the Group, through, a wholly-owned subsidiary, entered into a sale and purchase agreement to acquire 51% of the issued share capital of Heng, a company principally engages in the provision of Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO").

The Directors consider that the participation in Heng by acquiring 51% of its share capital would enable the Group to further provide more comprehensive financial services through direct investment in and hands-on management and operation of Heng. The Board observes that the current condition in the investment advisory market is highly competitive but at the same time there are promising opportunities in the market. Upon completion of this acquisition, the Group is expected to take advantage of the future growth in capital markets and continuous products development, by diversifying its business further within the financial services sector, in particular the asset management business and to broaden the Group's revenue base.

OUTLOOK (Continued)

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 actively considering to open physical stores in the PRC. The Group is also commencing to OEM its trading products from various Asian countries including Japan and Malaysia. In addition, the Group will explore the opportunities in the development of logistic and/or its related business in order to enhance the Group's trading sector.

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. 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-commerce 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, finance lease, money lending and securities business in accordance with the permission under the laws of Hong Kong and the PRC.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 19 June 2017 (after trading hours), the Company and the Placing Agent entered into a placing agreement (as supplemented by the supplement agreement dated 7 July 2017, all together known as the "Placing Agreement") pursuant to which the Company placed, under the General Mandate granted 7 March 2017, through the Placing Agent, on a best endeavour basis, up to 320,000,000 placing shares, to not less than six placees who and whose ultimate beneficial owners will be independent third parties at a price of HK\$ 0.081 per placing share.

The completion of the Placing took place on 20 July 2017 in accordance with the terms and conditions of the Placing Agreement. The Company received net proceeds of approximately HK\$24.90 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 HK\$23,600,000 for the full repayment of the outstanding principal of the 2014 PN (as defined hereinafter); 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.

CONVERTIBLE BONDS

Further to the convertible bonds issued by the Company on 12 August 2008 (the "2008 CBs") as part of the consideration for the acquisition of forest concessions in Papua, Indonesia, upon the completion of the acquisition of the entire issued share capital of Blossom Height, the Company issued further convertible bonds on 21 April 2015 (the "2015 CBs") in the principal amount of HK\$40 million to the vendor, Yihua Enterprises Limited as part of the relevant consideration.

CONVERTIBLE BONDS (Continued)

Furthermore, on 20 January 2017 (after trading hours), the Company and the bondholders of the 2008 CBs entered into the third supplemental deed, for (a) extending the maturity date of the 2008 CBs for 3 years from 12 August 2017 to 12 August 2020; (b) amending the conversion price of the 2008 CBs from HK\$0.3696 per Share to HK\$0.095 per Share; and (c) inclusion of the following adjustment events to the conversion price: (i) issue of Shares for subscription by way of rights, or a grant of options or warrants to subscribe for Shares, at a price which is less than 80% of the market price per Share to the shareholders of the Company; (ii) issue wholly for cash of securities convertible into or exchangeable for or carrying rights of subscription for Shares, if in any case the total effective consideration per Share receivable is less than 80% of the market price, or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration receivable is less than 80% of such market price; and (iii) issue of Shares being made wholly for cash at a price less than 80% of the market price per Share.

The Board is pleased to announce that the proposed resolution in respect of the above mentioned Third Supplemental Deed and the transactions contemplated thereunder was duly passed by the Shareholders by way of poll at an extraordinary general meeting of the Company held on 7 March 2017. Accordingly a maximum of 1,305,978,947 Shares will be allotted and issued upon exercise of the conversion rights attached to the outstanding 2008 CBs of aggregate principal amount of HK\$124,068,000 in full at the conversion price of HK\$0.095 per Share as at 30 June 2017.

As at 30 June 2017, the Company had outstanding 2018 CBs of aggregate principal amount of HK\$40 million which will be compulsorily converted into 173,913,043 Shares.

PROMISSORY NOTES

The Group had an outstanding principal of promissory notes of approximately HK\$52,600,000, 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 ("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 with an outstanding principal of approximately HK\$29,000,000 is non-interest bearing and the settlement date is 21 April 2018.

As mentioned in the Company's announcement dated 7 July 2017, after arm's length liaison with the holders of the 2014 PN, the Board will apply the above disclosed approximately HK\$24.90 million net proceeds of the Placing as to HK\$23,600,000 for the full repayment of the outstanding principal of the 2014 PN.

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, but the mediation failed. Formal trial will be held in late 2017.

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 2016 and the Guarantee Certificate has been received by the Company.

DISCLOSEABLE TRANSACTION IN RELATION TO THE FINANCE LEASE AGREEMENT

As disclosed in the Company's announcement dated 20 January 2017 (the "FL Announcement"), on 20 January 2017 (after trading hours), Heng He, entered into a finance lease agreement (the "Finance Lease Agreement") with 上海長城電腦繡花有限公司(Shanghai Zhang Cheng Computerized Embroidery Company Limited*) (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 RMB25 million (approximately HK\$27.50 million), which would be leased back to the Lessee at the aggregate lease receivables of approximately RMB28.85 million (approximately HK\$31.73 million) for a term of 3 years, commencing on the date of payment of the consideration for the Leased Assets.

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DISCLOSEABLE TRANSACTION IN RELATION TO THE FINANCE LEASE AGREEMENT (Continued)

As one or more of the applicable percentage ratios calculated under the GEM Listing Rules in respect of the Finance Lease Agreement exceed 5% but are less than 25%, the transaction contemplated under the Finance Lease Agreement constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

ACQUISITION OF 51% OF THE ISSUED SHARES IN HENG

On 7 February 2017 (after trading hours), the Company through a wholly-owned subsidiary entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to acquire 51% of the issued share capital of Heng (the "Acquisition") at a consideration of HK\$10,000,000 which will be settled by the allotment and issue of the consideration Shares by the Company to the vendor or its nominee upon completion of the transaction.

As the applicable ratios under Chapter 19 of the GEM Listing Rules exceed 5% but are below 25%, the Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules.

On 24 March 2017, an extraordinary general meeting was convened and held and, during which, the resolution in relation to the Acquisition and the transactions contemplated thereunder including the grant of the specific mandate to allot and issue the consideration Shares was duly passed by the Shareholders by way of poll.

On 26 July 2017, the Securities and Futures Commission has approved the Company's application to become a substantial shareholder of Heng pursuant to section 132 of the SFO. The Company is arranging the completion of the Acquisition with the vendor and will make further announcement in respect thereof upon the completion.

CHANGE OF DIRECTORSHIP AND COMMITTEE MEMBERS

Mr. Yip Kat Kong, Kenneth, due to his need in concentrating in the development of his own business, has resigned as an independent non-executive director of the Company with effect from 27 February 2017, and accordingly, his appointment as a member of the nomination committee, a member of the remuneration committee and as a member of the audit committee of the Company has been revoked with effect from 27 February 2017.

Mr. Au-yeung Sei Kwok was appointed as an independent non-executive director of the Company with effect from 27 February 2017 and he was also appointed as a member of the nomination committee, a member of the remuneration committee and as a member of the audit committee of the Company with effect from 27 February 2017.

During the Company's annual general meeting (the "AGM") held on 26 June 2017, Mr. Au-yeung Sei Kwok was re-elected as a director of the Company pursuant to the articles of association of the Company.

CAPITAL STRUCTURE AND GEARING RATIO

	As at 30 June 2017		As at 31 December 2016	
	HK\$ '000 (Unaudited)	Proportion	HK\$ '000 (Audited)	Proportion
Total borrowings				
– Bank borrowings	1,750,085	92.56%	1,695,685	90.88%
– Convertible bonds (liability component)	122,147	6.46%	114,400	6.13%
– Promissory notes	25,924	1.37%	50,402	2.70%
– Finance lease obligations	1,502	0.08%	1,968	0.11%
	1,899,658	100.47%	1,862,455	99.82%
Equity attributable to owners of the Company	(8,866)	(0.47)%	3,301	0.18%
Total capital employed	1,890,792	100%	1,865,756	100%

Gearing ratio kept at the high level at the six months period ended 30 June 2017. High level of bank borrowings was in line with the growth of financial services business, the equity attributable to owners of the Company was in the red due to loss from operation has been continued during the period under review but improved drastically as mentioned in discussion on financial results.

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 extended maturity date due on 12 August 2020.

As at 31 December 2016, there were 2 batches of promissory notes collectively referred as 2014 PN and 2015 PN respectively. As at 30 June 2017, the outstanding principal and coupon interest of the 2014 PN amounted to approximately HK\$26.6 million (31 December 2016: HK\$26.6 million) matured in April 2017. The carry amount belongs to 2015 PN which has the outstanding principal of HK\$29.0 million and will mature in April 2018.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 30 June 2017 (Unaudited) HK\$' 000	As at 31 December 2016 (Audited) HK\$' 000
Current assets	149,122	176,172
Current liabilities	158,336	246,355
Current ratio	0.94	0.7

Both current assets and current liabilities as at 30 June 2017 have decreased as compared with the balance at 31 December 2016, however the rate of decrease of current liabilities was much higher than current assets, therefore, the current ratio has improved from 0.7 as at 31 December 2016 to 0.94 as at 30 June 2017.

During the first half of current year, the 2008 CB which was grouped in current liabilities as at 31 December 2016 was extended for three years, therefore became a non-current liability, and the result of this led to a decrease in current liabilities as at 30 June 2017.

On the other hand, the 2015 PN which was grouped in non-current liabilities as at 31 December 2016 with a maturity date in April 2018, therefore it was classified as current liability as at 30 June 2017.

The net effect of these two led to a sharp decrease in current liabilities of approximately HK\$88.0 million.

FOREIGN CURRENCY EXPOSURE

The Group's reporting currency is Hong Kong dollar. During the period ended 30 June 2017 and the year ended 31 December 2016, 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 finance lease 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 2017 and 31 December 2016, 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 2017.

SIGNIFICANT INVESTMENTS

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

PLEDGE OF ASSETS

As at 30 June 2017, the finance lease assets held by the leasees with the carrying value of approximately RMB1,858.1 million (equivalent to approximately HK\$2,139.9 million) had been pledged to the bank so as to secure for the loan facilities granted to the Group (31 December 2016: RMB1,858.1 million, equivalent to approximately HK\$2,074.7 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 as at 30 June 2017 and 31 December 2016.

CAPITAL COMMITMENTS

As at 30 June 2017 and 31 December 2016, the Group did not have any significant capital commitments.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group employed 35 staff (31 December 2016: 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 2017

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 2017, together with the comparative unaudited figures for the corresponding periods in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	Notes	Three months ended 30 June		Six months ended 30 June	
		2017 (Unaudited) HK\$' 000	2016 (Unaudited) HK\$' 000	2017 (Unaudited) HK\$' 000	2016 (Unaudited) HK\$' 000
REVENUE	2	116,829	48,265	180,273	97,177
Cost of sales		(110,072)	(45,215)	(166,287)	(91,136)
Gross profit		6,757	3,050	13,986	6,041
Other income and other net gains and losses		1,433	1,366	1,476	1,419
Operating and administrative expenses		(5,734)	(7,664)	(15,004)	(15,610)
Impairment of trade receivables		–	(3)	–	(3)
Written off of inventories		(128)	(53)	(128)	(53)
Finance costs	5	(6,900)	(4,766)	(12,063)	(9,567)
LOSS BEFORE TAX	4	(4,572)	(8,070)	(11,733)	(17,773)
Income tax	6	(1,577)	(145)	(1,975)	(200)
LOSS FOR THE PERIOD		(6,149)	(8,215)	(13,708)	(17,973)
Loss attributable to:					
Owners of the Company		(8,218)	(8,585)	(16,402)	(18,117)
Non-controlling interests		2,069	370	2,694	144
		(6,149)	(8,215)	(13,708)	(17,973)
		HK \$	HK \$	HK \$	HK\$
LOSS PER SHARE					
Basic and diluted	8	(0.005)	(0.006)	(0.009)	(0.012)

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 2017

	Three months ended 30 June		Six months ended 30 June	
	2017 (Unaudited) HK\$ ' 000	2016 (Unaudited) HK\$ ' 000	2017 (Unaudited) HK\$ ' 000	2016 (Unaudited) HK\$ ' 000
LOSS FOR THE PERIOD	(6,149)	(8,215)	(13,708)	(17,973)
Other comprehensive loss, after tax:				
Exchange difference on translating of financial statements of overseas subsidiaries	4,879	(5,698)	7,043	(4,548)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(1,270)	(13,913)	(6,665)	(22,521)
Total comprehensive loss attributable to:				
Owners of the Company	(5,282)	(11,660)	(12,167)	(20,534)
Non-controlling interests	4,012	(2,253)	5,502	(1,987)
	(1,270)	(13,913)	(6,665)	(22,521)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	As at 30 June 2017 (Unaudited) HK\$' 000	As at 31 December 2016 (Audited) HK\$' 000
ASSETS			
Non-current assets			
Property, plant and equipment	9	5,588	4,664
Statutory deposit		510	510
Intangible assets		2,805	2,805
Available-for-sale investments		1,475	1,475
Finance lease receivables	11	1,951,972	1,869,445
Total non-current assets		1,962,350	1,878,899
Current assets			
Inventories		2,599	2,726
Trade receivables	10	5,515	6,867
Finance lease receivables	11	41,692	31,873
Loan receivables	12	2,080	3,300
Prepayments, deposits and other receivables		33,417	62,853
Bank balances – Trust accounts		3,544	5,206
Bank balances and cash – general accounts	13	60,275	63,347
Total current assets		149,122	176,172
Total assets		2,111,472	2,055,071
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	16	1,620	1,620
Reserves		(10,486)	1,681
		(8,866)	3,301
Non-controlling interests		93,541	88,039
Total equity		84,675	91,340

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 30 June 2017*

	Notes	As at 30 June 2017 (Unaudited) HK\$ '000	As at 31 December 2016 (Audited) HK\$ '000
Non-current liabilities			
Deferred tax liabilities		463	463
Convertible bonds	14	122,147	–
Promissory notes		–	24,238
Finance lease obligations due more than one year		1,026	1,026
Bank borrowings due more than one year	15	1,744,825	1,691,649
		1,868,461	1,717,376
Current liabilities			
Bank borrowings due within one year	15	5,260	4,036
Finance lease obligations due within one year		476	942
Convertible bonds	14	–	114,400
Promissory notes		25,924	26,164
Trade payables	17	37,064	40,425
Other payables and accruals		88,709	57,299
Tax payables		903	3,089
Total current liabilities		158,336	246,355
Total liabilities		2,026,797	1,963,731
Total equity and liabilities		2,111,472	2,055,071
Net current liabilities		(9,214)	(70,183)
Net assets		84,675	91,340

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company										
	Issued capital (Unaudited) HK\$' 000	Share premium account (Unaudited) HK\$' 000	Contributed surplus (Unaudited) HK\$' 000	Equity component	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
				of convertible bonds (Unaudited) HK\$' 000							
As 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
As 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
As at 1 January 2017	1,620	923,103	66,710	53,115	27,328	163,191	(12,495)	(1,219,271)	3,301	88,039	91,340
Changes in equity for 2017:											
Loss for the period	-	-	-	-	-	-	-	(16,402)	(16,402)	2,694	(13,708)
Other comprehensive gain	-	-	-	-	-	-	4,172	63	4,235	2,808	7,043
Total comprehensive gain/(loss)	-	-	-	-	-	-	4,172	(16,339)	(12,167)	5,502	(6,665)
As at 30 June 2017	1,620	923,103	66,710	53,115	27,328	163,191	(8,323)	(1,235,610)	(8,866)	93,541	84,675

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Note	2017 (Unaudited) HK\$' 000	2016 (Unaudited) HK\$' 000
Net cash flows (used in)/generated from operating activities		(2,944)	212,089
Net cash flows (used in)/generated from investing activities		(2,623)	59,432
Net cash flows generated from/(used in) financing activities		924	(225,922)
Net (decrease)/increase in cash and cash equivalents		(4,643)	45,599
Bank balances and cash – general accounts at the beginning of the period		63,347	52,839
Effect of foreign exchange rate changes, net		1,571	(1,439)
Bank balances and cash – general accounts at the end of the period		60,275	96,999
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash – general accounts	13	60,275	96,999

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 2016 (the “2016 Annual Report”). The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the 2016 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 2017. 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 2017 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	
	2017 (Unaudited) HK\$’ 000	2016 (Unaudited) HK\$’ 000	2017 (Unaudited) HK\$’ 000	2016 (Unaudited) HK\$’ 000
Revenue from:				
Trading business	81,006	36,507	129,641	72,118
Financial services business	35,639	11,450	50,358	24,484
Information technology business	184	308	274	535
Other business	–	–	–	40
	116,829	48,265	180,273	97,177

3. SEGMENT REPORTING

For management purposes, the Group is organised into business units based on its products and services and has the 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 finance lease services, provision of money lending services and provision of securities services;
- (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, 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 2017

	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	129,641	50,358	274	–	180,273	–	180,273
Operating profit/(loss)	150	8,494	(570)	(3)	8,071	–	8,071
Interest income	22	10	1	–	33	–	33
Finance costs	(165)	–	–	–	(165)	(11,898)	(12,063)
Other expenses	–	–	–	–	–	(7,774)	(7,774)
Profit/(Loss) before tax	7	8,504	(569)	(3)	7,939	(19,672)	(11,733)
Additions for non-current assets	–	125	–	–	125	2,498	2,623
Depreciation	(36)	(350)	(24)	–	(410)	(1,308)	(1,718)

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)

3. SEGMENT REPORTING (Continued)

As at 30 June 2017

	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	15,336	2,079,247	4,621	51	2,099,255	-	2,099,255
Other assets	-	-	-	-	-	12,217	12,217
Total assets	15,336	2,079,247	4,621	51	2,099,255	12,217	2,111,472
Segment liabilities	(5,668)	(1,827,710)	(2,481)	-	(1,835,859)	-	(1,835,859)
Convertible bonds	-	-	-	-	-	(122,147)	(122,147)
Promissory notes	-	-	-	-	-	(25,924)	(25,924)
Other liabilities	-	-	-	-	-	(42,867)	(42,867)
Total liabilities	(5,668)	(1,827,710)	(2,481)	-	(1,835,859)	(190,938)	(2,026,797)

As at 31 December 2016

	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	14,738	2,019,819	4,942	289	2,039,788	-	2,039,788
Bank balances and cash - general accounts	-	-	-	-	-	2,171	2,171
Other assets	-	-	-	-	-	13,112	13,112
Total assets	14,738	2,019,819	4,942	289	2,039,788	15,283	2,055,071
Segment liabilities	(4,228)	(1,780,982)	(2,436)	-	(1,787,646)	-	(1,787,646)
Convertible bonds	-	-	-	-	-	(114,400)	(114,400)
Promissory notes	-	-	-	-	-	(50,402)	(50,402)
Other liabilities	-	-	-	-	-	(11,283)	(11,283)
Total liabilities	(4,228)	(1,780,982)	(2,436)	-	(1,787,646)	(176,085)	(1,963,731)

3. SEGMENT REPORTING (Continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2017 (Unaudited) HK\$' 000	2016 (Unaudited) HK\$' 000
Hong Kong (place of domicile)	130,101	73,191
PRC	50,172	23,986
	180,273	97,177

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

(b) Non-current assets – property, plant and equipment

	As at 30 June 2017 (Unaudited) HK\$' 000	As at 31 December 2016 (Audited) HK\$' 000
	Hong Kong (place of domicile)	4,569
China	1,019	1,281
	5,588	4,664

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	
	2017 (Unaudited) HK\$' 000	2016 (Unaudited) HK\$' 000
Customer A – revenue from trading business		
– Hong Kong	94,897	43,352
Customer B – revenue from financial services business		
– PRC	25,051	–
Customer C – revenue from financial services business		
– PRC	–	12,819
	119,948	56,171

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	
	2017 (Unaudited) HK\$' 000	2016 (Unaudited) HK\$' 000	2017 (Unaudited) HK\$' 000	2016 (Unaudited) HK\$' 000
Depreciation	1,203	547	1,718	1,075
Staff costs (including directors' emoluments)	3,100	2,906	6,723	5,873

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2017 (Unaudited) HK\$ '000	2016 (Unaudited) HK\$ '000	2017 (Unaudited) HK\$ '000	2016 (Unaudited) HK\$ '000
Imputed interest charge on convertible bonds (note 1)	3,958	3,468	7,747	6,824
Imputed interest charge on promissory notes	875	1,136	2,035	2,431
Coupon interest charge on promissory notes	5	118	123	236
Interest charge on bank borrowings	30,152	9,524	38,560	20,384
Interest charge on other borrowings	1,953	–	1,953	–
Interest charge on finance lease obligation (note 2)	18	30	40	62
	36,961	14,276	50,458	29,937
Less: interest charge on bank borrowings included in cost of sales for financial services business	(30,061)	(9,510)	(38,395)	(20,370)
	6,900	4,766	12,063	9,567

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	
	2017 (Unaudited) HK\$' 000	2016 (Unaudited) HK\$' 000	2017 (Unaudited) HK\$' 000	2016 (Unaudited) HK\$' 000
Hong Kong profits tax:				
– current	–	–	–	–
– (over) under provision in prior years	459	–	459	(20)
PRC enterprise income tax:				
– current	889	–	1,287	75
– under provision in prior years	229	145	229	145
Total income tax recognised in profit or loss	1,577	145	1,975	200

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

The PRC Enterprise income tax has been provided for at the rate of 25% for both periods.

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

Taxes on profits assessable elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

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 2017 (2016: 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 2017 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	
	2017 (Unaudited) HK\$' 000	2016 (Unaudited) HK\$' 000	2017 (Unaudited) HK\$' 000	2016 (Unaudited) HK\$' 000
<u>Loss</u>				
Loss attributable to owners of the Company	(8,218)	(8,585)	(16,402)	(18,117)
Number of shares (thousands)				
<u>Shares</u>				
Weighted average number of ordinary shares in issue during the year	1,620,094	1,361,248	1,620,094	1,293,171
Effect of the convertible bond issued in 2015	173,913	173,913	173,913	173,913
Weighted average number of ordinary shares for the purpose of calculating loss per share	1,794,007	1,535,161	1,794,007	1,467,084

No diluted loss per share information presented for the periods ended 30 June 2017 and 2016 as the impact of the convertible bonds and share options outstanding had an anti-dilutive effect on the basic loss per share.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group spent approximately HK\$2.6 million in additions of leasehold improvement and computer and office equipment (31 December 2016: HK\$1 million).

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:

	As at 30 June 2017 (Unaudited) HK\$' 000	As at 31 December 2016 (Audited) HK\$' 000
Within 30 days	1,890	3,401
31 to 60 days	33	7
61 to 120 days	228	42
Over 120 days	3,364	3,417
At end of the period/year	5,515	6,867

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

	As at 30 June 2017 (Unaudited) HK\$' 000	As at 31 December 2016 (Audited) HK\$' 000
Not impaired	5,515	6,867

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. FINANCE LEASE RECEIVABLES

	As at 30 June 2017 (Unaudited) HK\$' 000	As at 31 December 2016 (Audited) HK\$' 000
Current finance lease receivables	41,692	31,873
Non-current finance lease receivables	1,951,972	1,869,445
At end of the period/year	1,993,664	1,901,318

Amount receivable under finance leases

	Minimum lease payment		Present value of minimum lease payment	
	As at 30 June 2017 (Unaudited) HK\$' 000	As at 31 December 2016 (Audited) HK\$' 000	As at 30 June 2017 (Unaudited) HK\$' 000	As at 31 December 2016 (Audited) HK\$' 000
Within one year	138,454	123,258	41,692	31,873
In more than one year but not more than two years	1,748,144	1,755,021	1,726,504	1,673,886
In more than two years but not more than five years	227,900	201,870	225,468	195,559
	2,114,498	2,080,149	1,993,664	1,901,318
Unearned finance income	(120,834)	(178,831)	N/A	N/A
Present value of minimum lease payment	1,993,664	1,901,318	1,993,664	1,901,318

The interest rate inherent in the leases was fixed at the contract date for the entire lease term. The interest rate of the above finance leases ranged from 4.37% to 9.40% per annum as at 30 June 2017 (31 December 2016: 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.

The finance lease receivables as at 30 June 2017 are neither past due nor impaired.

The term of finance leases entered into ranged from 1 to 5 years (2016: 2 to 5 years).

12. LOAN RECEIVABLES

The Group's loan receivables arose from the money lending business during the period/year.

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/year are analysed by the remaining period to contractual maturity date as follows:

	As at 30 June 2017 (Unaudited) HK\$' 000	As at 31 December 2016 (Audited) HK\$' 000
Repayable:		
Within 3 months	2,000	3,300
3 months to 1 year	80	–
	2,080	3,300

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

	As at 30 June 2017 (Unaudited) HK\$' 000	As at 31 December 2016 (Audited) HK\$' 000
Neither past due nor impaired	80	900
1 to 3 months past due not impaired	–	2,400
Over 3 months to 1 year past due not impaired	900	–
Over 1 year past due not impaired	1,100	–
	2,080	3,300

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 2017 (31 December 2016: 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. BANK BALANCES AND CASH

	As at 30 June 2017 (Unaudited) HK\$' 000	As at 31 December 2016 (Audited) HK\$' 000
Bank balances – trust accounts (note)	3,544	5,206
Bank balances and cash – general accounts	60,275	63,347
	63,819	68,553

Note: The Group receives and holds money deposited by clients in the course of the conduct of the regulated activities. These clients money are maintained in one or more trust bank accounts and bear interest at commercial rates. The Group has recognised the corresponding accounts payable to respective clients.

As at 30 June 2017, the Group's bank balances and cash – general accounts amounted to approximately HK\$60.3 million (31 December 2016: approximately HK\$63.3 million), approximately HK\$52.7 million was denominated in RMB and approximately HK\$7.1 million was denominated in Hong Kong dollars (31 December 2016: approximately HK\$51.7 million and approximately HK\$10.4 million respectively). Approximately HK\$7.2 million, about 12.0% (31 December 2016: approximately HK\$11.4 million, about 18.0%) were bank balances deposited with credit worthy banks of high credit ratings in Hong Kong, and included a pledged deposit of approximately HK\$4.0 million to secure a general banking facility.

14. CONVERTIBLE BONDS

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

	As at 30 June 2017 (Unaudited) HK\$' 000	As at 31 December 2016 (Audited) HK\$' 000
At beginning of the period/year	114,400	100,205
Interest charged	7,747	14,195
At end of the period/year	122,147	114,400

15. BANK BORROWINGS

	Notes	As at 30 June 2017 (Unaudited) HK\$' 000	As at 31 December 2016 (Audited) HK\$' 000
Fixed rate:			
Secured bank borrowings			
repayable on demand	a	206	206
Secured bank borrowings due within one year	b	5,054	3,830
		5,260	4,036
Secured bank borrowings			
due more than one year, but not more than three years	b	1,744,825	1,691,649
At end of the period/year		1,750,085	1,695,685

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 lessee with the carrying value of approximately RMB1,858.1 million (equivalent to approximately HK\$2,139.9 million), as at 30 June 2016 (31 December 2016: approximately RMB1,858.1 million, equivalent to approximately HK\$2,074.7 million). The interest rate of the bank borrowings were ranged from 4.9% to 6.3% per annum as at 30 June 2017 and 31 December 2016.

Included therein, a general banking facility amounted to HK\$7.0 million was secured by a time deposit of approximately HK\$4.0 million. The facility was utilised to the extent of approximately HK\$5.0 million as at 30 June 2017 (31 December 2016: approximately 3.8 million). 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.

16. SHARE CAPITAL

	Notes	Company Number of shares in '000	Nominal values HK\$ '000
Authorised:			
As at 1 January and 31 December 2016, 1 January and 30 June 2017			
Ordinary shares of HK\$0.001 each		200,000,000	200,000
Issued and fully paid:			
As at 1 January 2016			
Ordinary shares of HK\$0.001 each		1,225,094	1,225
Issue of shares under general mandate	a	395,000	395
As at 31 December 2016, 1 January and 30 June 2017			
Ordinary shares of HK\$0.001 each		1,620,094	1,620

Notes:

- (a) On 14 March 2016, 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 245,000,000 Placing Shares, to not less than six places 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. On 8 April 2016, 125,000,000 new shares were placed. The net proceeds of approximately HK\$14.3 million would be used for the capital injections into Heng He and the remaining for general working capital.

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 places at a price of HK\$0.092 per GM placing share. On 24 June 2016, 270,000,000 new shares were placed. The net proceeds of approximately HK\$23.9 million would be used for capital injection into Heng He and the remaining for general working capital.

17. TRADE PAYABLES

	As at 30 June 2017 (Unaudited) HK\$' 000	As at 31 December 2016 (Audited) HK\$' 000
Trade payable from trading business	588	373
Trade payable from information technology business	2,023	2,052
Trade payable from financial services business	30,606	29,906
Amount payable arising from the business of dealing in securities		
- Cash clients	3,847	6,120
- HKSCC	–	1,974
	37,064	40,425

An aged 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:

	As at 30 June 2017 (Unaudited) HK\$' 000	As at 31 December 2016 (Audited) HK\$' 000
Within 30 days	30,902	29,931
31 to 60 days	–	–
61 to 120 days	6	4
Over 120 days	2,309	2,396
At end of the period/year	33,217	32,331

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:

	As at 30 June 2017 (Unaudited) HK\$ '000	As at 31 December 2016 (Audited) HK\$ '000
<hr/>		
<u>Properties</u>		
Within one year	2,083	2,742
In the second to fifth years, inclusive	265	1,016
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At end of the period/year	2,348	3,758
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(b) Capital commitments

The Group did not have any material capital commitments as at 30 June 2017 (31 December 2016: Nil).

19. CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any significant contingent liabilities (31 December 2016: 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.

Name of related party	Relationship	Nature of transaction	Three months ended 30 June		Six months ended 30 June	
			2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Lai Yau Hong, Thomson	Secretary of the Company	Loan interest payable	6	6	40	16
		Loan payable	-	-	200	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\$2,957,000 (2016: HK\$2,988,000).

21. EVENTS AFTER THE REPORTING PERIOD

On 20 July 2017, the Placing completed in accordance with the terms and conditions of the Placing Agreement. Accordingly an aggregate of 320,000,000 Placing Shares, representing approximately 19.75% of the issued share capital of the Company as at the date of the Completion, have been successfully placed to not less than six Placees at the Placing Price of HK\$0.081 per Placing Share. The Company received net proceeds of approximately HK\$24.90 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 HK\$23,600,000 for the full repayment of the outstanding principal of the 2014 PN; 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.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, 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 2017

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

Name of directors	Number of the shares interested and nature of interest			Approximate percentage of the total issued share capital of the Company (%)
	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 Asiatruster 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.

(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	6.172
Lau Chi Yan, Pierre	19/8/2015	19/8/2015 - 18/8/2025	0.147	20,000,000	20,000,000	1.235
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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

(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	1,157,894,736	71.47

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\$0.095 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).

Save as disclosed above, as at 30 June 2017, 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 2017 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 2017, 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:

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

(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 (%)
Asiatrust Limited (Note)	Trustee	98,437,500	6.08
CW Limited (Note)	Controlled corporation	98,437,500	6.08
Ivana	Beneficial owner	98,437,500	6.08

Note: 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).

(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	1,157,894,736	71.47
CW Limited (Note 1)	Controlled corporation	1,157,894,736	71.47
Asiatrust Limited (Note 1)	Trustee	1,157,894,736	71.47
Yihua Enterprise Limited	Beneficial owner	173,913,043	10.73
Cheng Jun (Note 2)	Controlled corporation	173,913,043	10.73
Gao Yun Feng (Note 2)	Controlled corporation	173,913,043	10.73

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.

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

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 2017, 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.

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 30 June 2017	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
	Outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Cancelled/ Lapsed During the period					
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
Employees and other eligible participants									
Employees	28,241	0	0	0	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
	71,000,000	0	0	0	71,000,000	19/8/2015	19/8/2015 - 18/8/2025	0.147	0.147
	<u>233,390,855</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>233,390,855</u>				

SHARE OPTION SCHEME (Continued)

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.

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 he 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

The Board is composed of five 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.

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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

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 2016 Annual Report of the Company issued in March 2017.

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. Au-yeung Sei Kwok, 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. Au-yeung Sei Kwok, 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. Au-yeung Sei Kwok, 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2017, 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. Au-yeung Sei Kwok

By Order of the Board of

MERDEKA FINANCIAL SERVICES GROUP LIMITED

Cheung Wai Yin, Wilson

Chairman and Chief Executive Officer

Hong Kong, 9 August 2017

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>.