



MERDEKA

MERDEKA FINANCIAL SERVICES GROUP LIMITED

萬德金融服務集團有限公司\*

STOCK CODE 股份代號: 8163

*\* for identification purposes only*  
\* 僅供識別

**FIRST QUARTERLY REPORT 2018**  
**二零一八年第一季度報告**

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### 香港聯合交易所有限公司（「聯交所」）GEM（「GEM」）的特色

GEM 的定位，乃為中小型公司提供一個上市的市場，此等公司相比起其他在主板上市的公司帶有較高投資風險。有意投資的人士應了解投資於該等公司的潛在風險，並應經過審慎周詳的考慮後方作出投資決定。

由於 GEM 上市公司普遍為中小型公司，在 GEM 買賣的證券可能會較於主板買賣之證券承受較大的市場波動風險，同時無法保證在 GEM 買賣的證券會有高流通量的市場。

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\* 僅供識別

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the three months ended 31 March 2018, 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. All businesses ran healthily but remained challenging following an escalating possibility of trade war between the People’s Republic of China (the “PRC”) and the United States of America (the “US”) as our focal market is the PRC itself.

### OPERATION REVIEW

Since 2014, the Company has started its financial service business from money lending to brokage to asset management in Hong Kong and finance lease business in the PRC.

Merdeka Capital Limited (“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 successfully in 2017 assisting a PRC client listing the United States dollars guaranteed bonds due 2020 issued by it on the Stock Exchange. Merdeka Capital participated as a Joint Lead Manager to the transaction. In addition, Merdeka Capital will explore the opportunities on developing retail brokage and/or margin financing business.

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.

Heng Asset Management Limited (“Heng”) is continuing its asset management business with discovering further development on fund management including listed securities, bonds and private direct investments.

During the period under review, 恒河融資租賃(上海)有限公司 (Heng He Finance Lease (Shanghai) Company Limited\*)(“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 finance lease business in more provincial markets within the PRC. However, in light of the expecting transaction size and the prevailing economic environment in the PRC, especially under the high pressure of expecting a trade war with the US, such progress is circumspect and slow in pace. Information in respect of the finance lease contracts is disclosed in the below section “Finance lease contracts”.

\* For identification purpose only

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. Recently, such registration has been renewed. 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.

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.

Heng Da has also 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 period under review, the Group's reported revenue reached approximately HK\$137.0 million, representing an increase of approximately 116.0% on a year-on-year basis. The increased revenue was mainly contributed by trading business which increased approximately HK\$59.0 million, representing approximately 121.2% increase on a year-on-year basis, and financial services business which also increased approximately HK\$14.6 million, representing approximately 99.3% increase on a year-on-year basis.

Though the aforesaid pretty good figure of revenue, due to keen competition to boost revenue by thin profit margin of trading business and no new finance lease contracts concluded under financial services business, the Group's gross profit and gross profit margin decreased in tandem, the Group's gross profit for the period under review was approximately HK\$5.5 million, representing approximately 24.5% decrease on a year-on-year basis and the corresponding Group's gross profit margin decreased by approximately 7.4% to arrive at approximately 4.0%.

In light of the increasing operating activities, the cost of sales, and the operating and administrative expenses also increased correspondingly by approximately 134.1% and 56.6% respectively on a year-on-year basis.

According to the main factors mentioned before, the Group's loss for the period reached approximately of HK\$11.4 million, representing approximately 51.0% increase on a year-on-year basis.

## Finance lease contracts

As at 31 March 2018, 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:

	<b>Principal Amount</b> (RMB'000)	<b>Date</b>	<b>Tenor</b>	<b>Interest rate per annum</b>
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.

## OUTLOOK

Looking forward ahead, the Group will continue to focus on the development of financial services business in both Hong Kong and the PRC despite the uncertainties caused by the possible trade war against the US by the PRC. In order to diversify the risk, the Company will locate more resources in Hong Kong and developing further business opportunities within financial services sector.

Through Merdeka Capital, the Group will further expand and diversify into the securities business. To build on its successes in the debt financing business, Merdeka Capital is also taking advantage in the Group's appearance in the PRC by cooperation 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.

The Group is now holding a licenses to carry out Type 1 (dealing in securities), 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") currently undertaken by Merdeka Capital and Heng for the exploration of the opportunities in the securities and asset management business to potential overseas clients through the overseas network of the Group. 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. It 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.

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 acquisition of Hang He the Group is allowed to further develop its financing related business in the PRC in participating in the PRC finance lease industry, however, in light of the current trade conflict and the global economic atmosphere, the Directors consider that Hang He after enhancing the performance of the Group and the return to the Shareholders as a whole, might meet its challenge in the present PRC markets.

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.

## 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.

As at 31 March 2018, the Company had outstanding 2008 CBs and 2015 CBs of aggregate principal amounts of HK\$124,068,000 and HK\$40 million respectively which could be converted into 1,305,978,947 Shares and 173,913,043 Shares accordingly.

## 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. Formal trial was held on 4-7 September 2017.

On 29 September 2017, the Company received a judgement dated 29 September 2017 handed down by the High Court of Hong Kong (the "Judgement") ordering, among others, that the Company and End User Technology Limited, the Company's indirect wholly owned subsidiary, to pay, jointly and severally, damages to Mr Au Kai To Karel in the sum of HK\$4.4 million.

As announced by the Company in its announcement on 14 November 2017, the Company has appealed against the Judgment by way of Notice of Appeal filed on 25 October 2017 with the Court of Appeal. The Company's appeal is numbered CACV 237 of 2017. Additionally, after seeking further legal advice on the Judgement, the Appeal, the Petition (as explained below) and other appropriate actions to be taken thereon.

On 13 November 2017, the Company received a petition made by Mr Au kai To Karel (the "Petition") in the matter of the Companies (Winding Up and Miscellaneous Provision) Ordinance, Chapter 32 (the "Ordinance") from the High Court that the Company may be wound up by the High Court under the provisions of the Ordinance on the ground that the Company is deemed to be unable to pay the sum of HK\$4.4 million as stipulated therein the Judgement mentioned above. The Petition is numbered HCCW 343 of 2017.

The Company, on 1 December 2017, applied to the Court for a validation order in respect of the Company's disposition of property pending determination of the Petition (the "Validation Order"). At the hearing on 24 January 2018, the Validation Order was granted by the Court in the terms as follows: until further order of the Court, (i) any payment or other disposition of property made on or after 13 November 2017 in the ordinary course of the business of the Company shall not be void; (ii) the payments made into or out of certain specified bank accounts of the Company in respect of expenses incurred in the ordinary course of business shall be sanctioned; (iii) the payment of reasonable legal expenses incurred by the Company in various legal proceedings shall not be void; (iv) any transfer of the Company's shares on or after 13 November 2017 shall not be void; and (v) the Company shall provide to the Petitioner all quarterly Reports commencing December 2017 and annual Reports starting from the year ending 31 December 2017 within three days from the date of issuance of the same to the public.

On 3 May 2018 the Company paid HK\$4.4m into court as ordered by the High Court at the hearing of the winding up petition against the Company numbered HCCW 343 of 2017 held 16 April 2018. On 7 May 2018, the winding up petition was adjourned until the determination of the substantive appeal in CACV 237/2017.

As the Company continues to be solvent and the normal course of operation of the Company has not been adversely affected by the Petition. The Company is endeavouring to oppose the Petition and will take every possible step to protect the interests and assets of the Group as well as the interest of the Shareholders and investors of the Company.



## FUND RAISING ACTIVITIES OF THE COMPANY

In the past 12 months immediately prior to the date of this report, 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
19 June 2017	Placing of up to 320,000,000 new Shares at HK\$0.081 per Share 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	Fully utilized as intended

## UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2018

The board of directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated quarterly results of the Group for the three months ended 31 March 2018, together with the comparative unaudited figures for the corresponding period in 2017, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the three months ended 31 March 2018*

	Note	Three months ended 31 March	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
REVENUE	2	137,040	63,444
Cost of sales		(131,583)	(56,215)
Gross profit		5,457	7,229
Other income and other net gains and losses		20	43
Operating and administrative expenses		(14,515)	(9,270)
Finance costs	5	(3,511)	(5,163)
LOSS BEFORE TAX		(12,549)	(7,161)
Income tax	6	1,135	(398)
LOSS FOR THE PERIOD		(11,414)	(7,559)
Loss attributable to:			
Owners of the Company		(10,423)	(8,184)
Non-controlling interests		(991)	625
		(11,414)	(7,559)
		HK\$	HK\$
LOSS PER SHARE			
Basic and diluted	8	(0.005)	(0.005)

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 three months ended 31 March 2018

	Three months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	<b>(11,414)</b>	(7,559)
Other comprehensive profit, after tax:		
Exchange difference on translating of financial statements of overseas subsidiaries	<b>9,861</b>	2,164
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(1,553)</b>	(5,395)
Total comprehensive (loss)/profit attributable to:		
Owners of the Company	<b>(4,468)</b>	(6,885)
Non-controlling interests	<b>2,915</b>	1,490
	<b>(1,553)</b>	(5,395)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	As at 31 March 2018 (unaudited) HK\$'000	As at 31 December 2017 (audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		3,158	4,011
Statutory deposit		510	510
Goodwill		5,803	5,803
Intangible assets		5,705	5,705
Available-for-sale investments		1,475	1,475
Finance lease receivables		250,084	240,366
Total non-current assets		266,735	257,870
<b>Current assets</b>			
Inventories		1,536	1,292
Trade receivables	10	8,333	8,202
Loan receivables	12	680	1,080
Prepayments, deposits and other receivables		93,573	75,715
Finance lease receivables	11	1,925,319	1,837,309
Held-for-trade investments		497	534
Bank balances -Trust accounts	13	5,846	5,759
Bank balances and cash - general accounts	13	18,115	36,490
Total current assets		2,053,899	1,966,381
<b>Total assets</b>		<b>2,320,634</b>	<b>2,224,251</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	16	2,040	2,040
Reserves		33,606	38,074
<b>Non-controlling interests</b>		<b>35,646</b>	<b>40,114</b>
<b>Total equity</b>		<b>103,961</b>	<b>101,046</b>
<b>Total equity</b>		<b>139,607</b>	<b>141,160</b>

	Notes	As at 31 March 2018 (unaudited) HK\$'000	As at 31 December 2017 (audited) HK\$'000
<b>Non-current liabilities</b>			
Deferred tax liabilities		941	941
Convertible bonds	14	98,280	95,940
Finance lease obligation due more than one year		199	199
Bank borrowings due more than one year		74,982	72,060
<b>Total non-current liabilities</b>		<b>174,402</b>	169,140
<b>Current liabilities</b>			
Bank borrowings due within one year	15	1,823,395	1,752,555
Finance lease obligation due within one year		584	827
Promissory notes		28,567	27,622
Trade payables	17	60,142	47,683
Other payables and accruals		93,937	83,035
Tax payables		—	2,229
<b>Total current liabilities</b>		<b>2,006,625</b>	1,913,951
<b>Total liabilities</b>		<b>2,181,027</b>	2,083,091
<b>Total equity and liabilities</b>		<b>2,320,634</b>	2,224,251
<b>Net current assets/(liabilities)</b>		<b>47,274</b>	52,430
<b>Net assets</b>		<b>139,607</b>	141,160

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018

	Attributable to owners of the Company										
	Issued capital	Share premium account	Contributed surplus	Equity component of	Share option reserve	Capital reduction reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
				convertible bonds							
				(Unaudited)							
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
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	—	—	—	—	—	—	—	(8,184)	(8,184)	625	(7,559)
Other comprehensive gain	—	—	—	—	—	—	1,279	20	1,299	865	2,164
Total comprehensive gain/(loss)	—	—	—	—	—	—	1,279	(8,164)	(6,885)	1,490	(5,395)
As at 31 March 2017	1,620	923,103	66,710	53,115	27,328	163,191	(11,216)	(1,227,435)	(3,584)	89,529	85,945
As at 1 January 2018	2,040	957,059	66,710	53,115	27,328	163,191	(3,542)	(1,225,787)	40,114	101,046	141,160
Changes in equity for 2018:											
Loss for the period	—	—	—	—	—	—	—	(10,423)	(10,423)	(991)	(11,414)
Other comprehensive gain	—	—	—	—	—	—	5,808	147	5,955	3,906	9,861
Total comprehensive gain/(loss)	—	—	—	—	—	—	5,808	(10,276)	(4,468)	2,915	(1,553)
As at 31 March 2018	2,040	957,059	66,710	53,115	27,328	163,191	2,266	(1,236,063)	35,646	103,961	139,607

Notes:

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated quarterly 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 quarterly results also comply with the applicable disclosure provisions of the GEM Listing Rules.

The unaudited condensed consolidated quarterly 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 quarterly results should be read in conjunction with the Group’s audited annual financial statements for the year ended 31 December 2017 (the “2017 Annual Report”). The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the 2017 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 2018. The adoption of such standards, amendments and interpretations does not have material financial effect on this quarterly results.

The unaudited condensed consolidated quarterly results of the Group for the three months ended 31 March 2018 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 three months period under review.

An analysis of revenue is as follows:

	<b>Three months ended 31 March</b>	
	<b>2018 (unaudited) HK\$'000</b>	2017 (unaudited) HK\$'000
Revenue from:		
Trading business	<b>107,593</b>	48,635
Financial services business	<b>29,340</b>	14,719
Information technology business	<b>107</b>	90
Other business	<b>—</b>	—
	<b>137,040</b>	63,444

## 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.



### 3. SEGMENT REPORTING (Continued)

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 profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(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.

#### For the three months ended 31 March 2018

	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
<b>Segment revenue:</b>							
Revenue from external customers	107,593	29,340	107	—	137,040	—	137,040
Operating profit/(loss)	6	(4,485)	(36)	—	(4,515)	—	(4,515)
Interest income	13	—	—	—	13	—	13
Finance costs	(92)	—	—	—	(92)	(3,419)	(3,511)
Other expenses	—	—	—	—	—	(4,536)	(4,536)
<b>Profit/(Loss) before tax</b>	<b>(73)</b>	<b>(4,485)</b>	<b>(36)</b>	<b>—</b>	<b>(4,594)</b>	<b>(7,955)</b>	<b>(12,549)</b>
Additions for non-current assets	—	77	—	—	77	—	77
Depreciation	(4)	(142)	(5)	—	(151)	(822)	(973)

## 3. SEGMENT REPORTING (Continued)

For the three months ended 31 March 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	48,634	14,720	90	—	63,444	—	63,444
Operating profit/(loss)	39	1,958	(369)	—	1,628	—	1,628
Interest income	—	8	—	—	8	—	8
Finance costs	(75)	—	—	—	(75)	(5,088)	(5,163)
Other expenses	—	—	—	—	—	(3,634)	(3,634)
Profit/(Loss) before tax	(36)	1,966	(369)	—	1,561	(8,722)	(7,161)
Additions for non-current assets	—	118	—	—	118	—	118
Depreciation	(25)	(174)	(15)	—	(214)	(301)	(515)

## As at 31 March 2018

	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	15,644	2,293,193	4,613	51	2,313,501	—	2,313,501
Bank balances and cash - general accounts	—	—	—	—	—	2,200	2,200
Other assets	—	—	—	—	—	4,933	4,933
<b>Total assets</b>	<b>15,644</b>	<b>2,293,193</b>	<b>4,613</b>	<b>51</b>	<b>2,313,501</b>	<b>7,133</b>	<b>2,320,634</b>
Segment liabilities	(6,640)	(2,012,890)	(2,575)	—	(2,022,105)	—	(2,022,105)
Convertible bonds	—	—	—	—	—	(98,280)	(98,280)
Promissory notes	—	—	—	—	—	(28,567)	(28,567)
Other liabilities	—	—	—	—	—	(32,075)	(32,075)
<b>Total liabilities</b>	<b>(6,640)</b>	<b>(2,012,890)</b>	<b>(2,575)</b>	<b>—</b>	<b>(2,022,105)</b>	<b>(158,922)</b>	<b>(2,181,027)</b>

### 3. SEGMENT REPORTING (Continued)

As at 31 December 2017

	Trading business (audited) HK\$'000	Financial service 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	15,533	2,194,586	4,614	51	2,214,784	–	2,214,784
Bank balances and cash - general accounts	–	–	–	–	–	3,479	3,479
Other assets	–	–	–	–	–	5,988	5,988
<b>Total assets</b>	<b>15,533</b>	<b>2,194,586</b>	<b>4,614</b>	<b>51</b>	<b>2,214,784</b>	<b>9,467</b>	<b>2,224,251</b>
Segment liabilities	(6,002)	(1,920,864)	(2,526)	–	(1,929,392)	–	(1,929,392)
Convertible bonds	–	–	–	–	–	(95,940)	(95,940)
Promissory notes	–	–	–	–	–	(27,622)	(27,622)
Other liabilities	–	–	–	–	–	(30,137)	(30,137)
<b>Total liabilities</b>	<b>(6,002)</b>	<b>(1,920,864)</b>	<b>(2,526)</b>	<b>–</b>	<b>(1,929,392)</b>	<b>(153,699)</b>	<b>(2,083,091)</b>

#### Geographical information

##### (a) Revenue from external customers

	Three months ended 31 March	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Hong Kong	107,888	48,931
PRC	29,152	14,513
	<b>137,040</b>	63,444

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

### 3. SEGMENT REPORTING (Continued)

#### Geographical information (Continued)

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

	<b>As at 31 March 2018 (unaudited) HK\$'000</b>	As at 31 December 2017 (audited) HK\$'000
Hong Kong	<b>2,083</b>	2,908
PRC	<b>1,075</b>	1,103
	<b>3,158</b>	4,011

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

#### Information about major customers

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

	<b>Three months ended 31 March</b>	
	<b>2018 (unaudited) HK\$'000</b>	2017 (unaudited) HK\$'000
Customer A – revenue from trading business – Hong Kong	<b>98,866</b>	32,947
Customer B – revenue from trading business – Hong Kong	<b>—</b>	7,324
	<b>98,866</b>	40,271

#### 4. LOSS BEFORE TAX

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

	Three months ended 31 March	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Depreciation	973	515
Staff costs (including directors' emoluments)	3,963	3,623

#### 5. FINANCE COSTS

	Three months ended 31 March	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Imputed interest charge on convertible bonds (note 1)	2,340	3,789
Imputed interest charge on promissory notes	945	1,160
Coupon interest charge on promissory notes	—	118
Interest charge on bank borrowings	24,904	8,408
Interest charge on other borrowings	123	—
Interest charge on finance lease obligation (note 2)	11	22
	<b>28,323</b>	13,497
Less: interest charge on bank borrowings included in cost of sales for financial services business	<b>(24,812)</b>	(8,334)
	<b>3,511</b>	5,163

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 recognised in profit or loss is shown as follows:

	Three months ended 31 March	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Hong Kong profits tax:		
– current	—	—
– over provision in prior years	—	—
PRC enterprise income tax:		
– current	—	398
– over provision in prior years	<b>(1,135)</b>	—
<b>Total income tax recognised in profit or loss</b>	<b>(1,135)</b>	398

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 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 quarterly dividend has been paid or declared by the Company during the three months ended 31 March 2018 (2017: 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 ended 31 March 2018 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 31 March	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Loss attributable to owners of the Company used in the basic loss per share calculation	<b>10,423</b>	8,184

	Number of shares (thousands)	
Weighted average number of ordinary shares in issue during the year	<b>2,040,094</b>	1,620,094
Effect of the convertible bond issued in 2015	<b>173,913</b>	173,913
Weighted average number of ordinary shares for the purpose of calculating loss per share	<b>2,214,007</b>	1,794,007

No diluted loss per share information presented for the periods ended 31 March 2018 and 2017 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 three months ended 31 March 2018, the Group acquired approximately HK\$0.077 million in computer and office equipment (31 December 2017: HK\$0.1 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:

	<b>As at 31 March 2018 (unaudited) HK\$'000</b>	As at 31 December 2017 (audited) HK\$'000
Within 30 days	917	865
31 to 60 days	297	532
61 to 120 days	507	3,377
Over 120 days	6,612	3,428
At end of the period/year	<b>8,333</b>	8,202

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

	<b>As at 31 March 2018 (unaudited) HK\$'000</b>	As at 31 December 2017 (audited) HK\$'000
Not impaired	<b>8,333</b>	8,202

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

	<b>As at 31 March 2018 (unaudited) HK\$'000</b>	As at 31 December 2017 (audited) HK\$'000
Current finance lease receivables	1,925,319	1,837,309
Non-current finance lease receivables	250,084	240,366
At end of the period/year	<b>2,175,403</b>	2,077,675



**11. FINANCE LEASE RECEIVABLES** (Continued)

Amount receivable under finance leases

	Minimum lease payment		Present value of minimum lease payment	
	As at 31 March 2018 (unaudited) HK\$'000	As at 31 December 2017 (audited) HK\$'000	As at 31 March 2018 (unaudited) HK\$'000	As at 31 December 2017 (audited) HK\$'000
Within one year	<b>1,971,928</b>	1,898,555	<b>1,925,319</b>	1,837,309
In more than one year but not more than two years	<b>255,288</b>	248,375	<b>250,055</b>	240,310
In more than two years but not more than five years	<b>29</b>	57	<b>29</b>	56
	<b>2,227,245</b>	2,146,987	<b>2,175,403</b>	2,077,675
Unearned finance income	<b>(51,842)</b>	(69,312)	<b>N/A</b>	N/A
Present value of minimum lease payment	<b>2,175,403</b>	2,077,675	<b>2,175,403</b>	2,077,675

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 31 March 2018 (31 December 2017: 4.37% 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 31 March 2018 and 31 December 2017 are neither past due nor impaired.

The term of finance leases entered into ranged from 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.

	<b>As at 31 March 2018 (unaudited) HK\$'000</b>	As at 31 December 2017 (audited) HK\$'000
Loan receivables	<b>1,680</b>	2,080
Less: provision for impairment loss	<b>(1,000)</b>	(1,000)
	<b>680</b>	1,080

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

	<b>As at 31 March 2018 (unaudited) HK\$'000</b>	As at 31 December 2017 (audited) HK\$'000
Repayable:		
Within 3 months	<b>680</b>	1,080
3 months to 1 year	<b>—</b>	—
At end of the period/year	<b>680</b>	1,080

**12. LOAN RECEIVABLES** (Continued)

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

	<b>As at 31 March 2018 (unaudited) HK\$'000</b>	As at 31 December 2017 (audited) HK\$'000
Neither past due nor impaired	—	80
1 to 3 months past due	<b>80</b>	—
Over 3 months to 1 year past due but not impaired	—	300
Over 1 year past due but not impaired	<b>600</b>	700
At end of the period/year	<b>680</b>	1,080

The interest rate was fixed at the contract date. The average interest rate was at 1% to 2.5% per month as at 31 March 2018 (31 December 2017: 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

	<b>As at 31 March 2018 (unaudited) HK\$'000</b>	As at 31 December 2017 (audited) HK\$'000
Bank balances – trust accounts (note)	<b>5,846</b>	5,759
Bank balances and cash – general accounts	<b>18,115</b>	36,490
	<b>23,961</b>	42,249

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 31 March 2018, the Group's bank balances and cash - general accounts amounted to approximately HK\$18.1 million (31 December 2017: HK\$36.5 million), approximately HK\$4.6 million was denominated in RMB. Also, approximately HK\$12.6 million, about 69.8% (31 December 2017: HK\$14.1 million, about 38.8%) were bank balances deposited with credit worthy banks of high credit ratings in Hong Kong, and approximately HK\$12.5 million (31 December 2017: HK\$14.0 million) was denominated in Hong Kong dollars. Included in bank balances and cash - general accounts, there is 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:

	<b>As at 31 March 2018 (unaudited) HK\$'000</b>	As at 31 December 2017 (audited) HK\$'000
As beginning of the period/year	<b>95,940</b>	114,400
Extinguishment of financial liability charged to profit or loss	—	(31,162)
Interest charged	<b>2,340</b>	12,702
As end of the period/year	<b>98,280</b>	95,940

## 15. BANK BORROWINGS

	Notes	As at 31 March 2018 (unaudited) HK\$'000	As at 31 December 2017 (audited) HK\$'000
Fixed rate:			
Secured bank borrowings – repayable on demand	a	206	206
Secured bank borrowings – due within one year	b	1,823,189	1,752,349
		<b>1,823,395</b>	1,752,555
Secured bank borrowings – due more than one year, but not more than three years	b	74,982	72,060
At end of the period/year		<b>1,898,377</b>	1,824,615

## 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 of this bank borrowing 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\$2,322.0 million), as at 31 March 2018 (31 December 2017: RMB1,858.1 million (equivalent to approximately HK\$2,231.5 million)). The interest rate of the bank loans were ranged from 3.8% to 5.7% per annum as at 31 March 2018 and 31 December 2017.

Included therein, a general banking facility amounted to HK\$7.0 million was secured by a deposit of HK\$4.0 million. The facility was utilised to the extent of approximately HK\$4.9 million as at 31 March 2018 (31 December 2017: HK\$4.9 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
<b>Authorised:</b>			
As at 31 December 2017,			
<b>1 January and 31 March 2018</b>			
<b>Ordinary shares of HK\$0.001 each</b>		<b>200,000,000</b>	<b>200,000</b>
<b>Issued and fully paid:</b>			
As at 1 January 2017			
Ordinary shares of HK\$0.001 each		1,620,094	1,620
Issue of shares under general mandate	a	320,000	320
Issue of consideration shares	b	100,000	100
As at 31 December 2017,			
<b>1 January and 31 March 2018</b>			
<b>Ordinary shares of HK\$0.001 each</b>		<b>2,040,094</b>	<b>2,040</b>

Notes:

- (a) On 19 June 2017, 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 320,000,000 placing shares, to not less than six placees at a price of HK\$0.081 per GM placing share. On 20 July 2017, 320,000,000 new shares were placed. The net proceeds of approximately HK\$25.4 million would be used for partial repayment of promissory note, expansion of the securities business, and general working capital.
- (b) On 7 February 2017, Merdeka Financial Services Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement for the acquisition of 51% issued share capital of Heng Asset Management Limited at a consideration of HK\$10 million which should be satisfied by the allotment and issuance of 100,000,000 ordinary shares of the Company under specific mandate approved by the shareholders at the extraordinary general meeting of the Company. The shares were allotted and issued on 10 August 2017 upon the completion of the acquisition.

## 17. TRADE PAYABLES

	<b>As at 31 March 2018 (unaudited) HK\$'000</b>	As at 31 December 2017 (audited) HK\$'000
Trade payable from trading business	<b>1,740</b>	1,082
Trade payable from information technology business	<b>2,027</b>	2,023
Trade payable from financial services business	<b>50,251</b>	38,367
Amount payable arising from the business of dealing in securities		
- Cash clients	<b>6,031</b>	5,986
- HKSCC	<b>93</b>	225
	<b>60,142</b>	47,683

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:

	<b>As at 31 March 2018 (unaudited) HK\$'000</b>	As at 31 December 2017 (audited) HK\$'000
Within 30 days	<b>50,618</b>	38,454
31 to 60 days	<b>741</b>	749
61 to 120 days	<b>2</b>	2
Over 120 days	<b>2,657</b>	2,267
At end of the period/year	<b>54,018</b>	41,472

## 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:

	<b>As at 31 March 2018 (unaudited) HK\$'000</b>	As at 31 December 2017 (audited) HK\$'000
Within one year	<b>2,362</b>	1,673
In the second to fifth years, inclusive	<b>1,829</b>	657
	<b>4,191</b>	2,330

### (b) Capital commitments

The Group did not have any material capital commitments as at 31 March 2018 (31 December 2017: Nil).

## 19. CONTINGENT LIABILITIES

As at 31 March 2018, the Group did not have any significant contingent liabilities (31 December 2017: Nil).

## 20. RELATED PARTY TRANSACTIONS

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

Name of related party	Relationship	Nature of transaction	<b>Three months ended 31 March</b>	
			<b>2018 (unaudited) HK\$'000</b>	2017 (unaudited) HK\$'000
Lai Yau Hong, Thomson	Secretary of the Company	Loan interest payable Loan payable	<b>58</b> <b>200</b>	34 200

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\$1,484,000 (2017: HK\$1,474,000).



## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2018, 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 31 March 2018

(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	4.85
Lau Chi Yan, Pierre	3,984,375	—	3,984,375	0.20

Note: The interests disclosed include 98,437,500 Shares held by Ivana Investment Limited ("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.

**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 31 March 2018** (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	4.901
Lau Chi Yan, Pierre	19/8/2015	19/8/2015 - 18/8/2025	0.147	20,000,000	20,000,000	0.980
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	0.049
Ng Kay Kwok	19/8/2015	19/8/2015 - 18/8/2025	0.147	1,000,000	1,000,000	0.049

(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	56.76

Note: These convertible bonds (originally due on 12 August 2011 and extended to 12 August 2020) 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).

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

Save as disclosed above, as at 31 March 2018, 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 three months ended 31 March 2018 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 31 March 2018, 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:*

<b>Name of Shareholders</b>	<b>Nature of interest/capacity</b>	<b>Number of Shares</b>	<b>Approximate percentage of total issued share capital of the Company (%)</b>
Asiatrust Limited (Note)	Trustee	98,437,500	4.83
CW Limited (Note)	Controlled corporation	98,437,500	4.83
Ivana	Beneficial owner	98,437,500	4.83

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

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	56.76
CW Limited (Note 1)	Controlled corporation	1,157,894,736	56.76
Asiatrust Limited (Note 1)	Trustee	1,157,894,736	56.76
Yihua Enterprise Limited	Beneficial owner	173,913,043	8.52
Cheng Jun (Note 2)	Controlled corporation	173,913,043	8.52
Gao Yun Feng (Note 2)	Controlled corporation	173,913,043	8.52

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING 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 Asiatrusted 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.

Save as disclosed above, the directors and chief executive of the Company are not aware that there is any party who, as at 31 March 2018, 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 31 March 2018, 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 11.44% and 11.44% of the total issued share capital of the Company as at 31 March 2018 and the date of this report 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					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 2018	Granted during the period	Exercised during the period	Cancelled/ Lapsed/ During the period	Outstanding as at 31 March 2018				
<b>Executive director</b>									
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
<b>Independent non-executive director</b>									
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
<b>Employees and other eligible participants</b>									
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 approval of these unaudited condensed consolidated first quarterly financial statements, no other share options were exercised subsequent to the end of the period under review.

During the period for the three months ended 31 March 2018, no share options were granted by the Company, therefore no recognition of share option expense in both years for the reporting period.

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 three months ended 31 March 2018.

## 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.

During the period for the three months ended 31 March 2018, the Audit Committee consists of three members comprising three independent non-executive directors, 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.

The Audit Committee has reviewed the unaudited condensed consolidated first quarterly results of the Group for the three months ended 31 March 2018.

## BOARD OF DIRECTORS

As at the date of this report, the directors 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, 14 May 2018



[www.merdeka.com.hk](http://www.merdeka.com.hk)

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