



## 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 FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2019

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\* For identification purpose only

## UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2019

The board of directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated quarterly results of the Company and its subsidiaries (the “**Group**”) for the three months ended 31 March 2019, together with the comparative unaudited figures for the corresponding period in 2018, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the three months ended 31 March 2019*

|   | Note | Three months ended 31 March     |                                 |
|---|------|---------------------------------|---------------------------------|
|   |      | 2019<br>(Unaudited)<br>HK\$'000 | 2018<br>(Unaudited)<br>HK\$'000 |
| REVENUE                                     | 3    | <b>117,580</b>                  | 137,040                         |
| Cost of sales                               |      | <b>(114,426)</b>                | (131,583)                       |
| Gross profit                                |      | <b>3,154</b>                    | 5,457                           |
| Other income and other net gains and losses |      | <b>348</b>                      | 20                              |
| Operating and administrative expenses       |      | <b>(11,452)</b>                 | (14,515)                        |
| Finance costs                               | 5    | <b>(3,018)</b>                  | (3,511)                         |
| LOSS BEFORE TAX                             | 4    | <b>(10,968)</b>                 | (12,549)                        |
| Income tax                                  | 6    | <b>1,071</b>                    | 1,135                           |
| LOSS FOR THE PERIOD                         |      | <b>(9,897)</b>                  | (11,414)                        |
| Loss attributable to:                       |      |                                 |                                 |
| Owners of the Company                       |      | <b>(8,969)</b>                  | (10,423)                        |
| Non-controlling interests                   |      | <b>(928)</b>                    | (991)                           |
|   |      | <b>(9,897)</b>                  | (11,414)                        |
|   |      | <b>HK\$</b>                     | <b>HK\$</b>                     |
| LOSS PER SHARE                              |      |                                 |                                 |
| Basic and diluted                           | 8    | <b>(0.004)</b>                  | (0.005)                         |

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2019

|   | Three months ended 31 March     |                                 |
|---|---------------------------------|---------------------------------|
|   | 2019<br>(Unaudited)<br>HK\$'000 | 2018<br>(Unaudited)<br>HK\$'000 |
| LOSS FOR THE PERIOD   | <b>(9,897)</b>                  | (11,414)                        |
| Other comprehensive income, after tax:  |                                 |                                 |
| <i>Items that may be reclassified subsequently to profit or loss:</i>               |                                 |                                 |
| Exchange difference on translating of financial statements of overseas subsidiaries | <b>4,434</b>                    | 9,861                           |
| <b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>                                      | <b>(5,463)</b>                  | (1,553)                         |
| Total comprehensive (loss) attributable to:   |                                 |                                 |
| Owners of the Company   | <b>(6,369)</b>                  | (4,468)                         |
| Non-controlling interests   | <b>906</b>                      | 2,915                           |
|   | <b>(5,463)</b>                  | (1,553)                         |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

|   | Notes | As at<br>31 March<br>2019<br>(unaudited)<br>HK\$'000 | As at<br>31 December<br>2018<br>(audited)<br>HK\$'000 |
|---|-------|--|---|
| <b>ASSETS</b>                                       |       |  |   |
| <b>Non-current assets</b>                           |       |  |   |
| Property, plant and equipment                       | 9     | 2,460  | 2,682   |
| Statutory deposit                                   |       | 510  | 510   |
| Goodwill  | 10    | 5,285  | —   |
| Intangible assets                                   | 11    | 7,125  | 5,705   |
| Right-of-use assets                                 | 12    | 12,398   | —   |
| Finance lease receivables                           | 14    | 4,596  | 5,283   |
| Total non-current assets                            |       | 32,374   | 14,180  |
| <b>Current assets</b>                               |       |  |   |
| Inventories   |       | 967  | 1,010   |
| Trade receivables                                   | 13    | 823,615  | 2,460   |
| Prepayments, deposits and other receivables         |       | 113,454  | 112,731   |
| Finance lease receivables                           | 14    | 211,121  | 547,941   |
| Held-for-trade investments                          |       | 446  | 428   |
| Bank balances — Trust accounts                      | 15    | 11,047   | 6,543   |
| Bank balances and cash — general accounts           | 15    | 14,592   | 12,255  |
| Total current assets                                |       | 1,175,242  | 683,368   |
| Total assets  |       | 1,207,616  | 697,548   |
| <b>EQUITY AND LIABILITIES</b>                       |       |  |   |
| <b>Equity attributable to owners of the Company</b> |       |  |   |
| Share capital                                       | 19    | 2,040  | 2,040   |
| Reserves  |       | (66,788)   | (60,351)  |
|   |       | (64,748)   | (58,311)  |
| <b>Non-controlling interests</b>                    |       | 69,972   | 69,070  |
| <b>Total equity</b>                                 |       | 5,224  | 10,759  |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (continued)*As at 31 March 2019*

|                                      | Notes | <b>As at<br/>31 March<br/>2019<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2018<br>(audited)<br>HK\$'000 |
|--------------------------------------|-------|---|---|
| <b>Non-current liabilities</b>       |       |   |   |
| Deferred tax liabilities             |       | <b>1,175</b>  | 941   |
| Convertible bonds                    | 16    | <b>108,228</b>  | 105,651   |
| Lease liabilities                    | 17    | <b>7,481</b>  | —   |
| <b>Total non-current liabilities</b> |       | <b>116,884</b>  | 106,592   |
| <b>Current liabilities</b>           |       |   |   |
| Bank borrowings due within one year  | 18    | <b>75,148</b>   | 415,788   |
| Promissory notes                     | 21    | <b>7,342</b>  | —   |
| Lease liabilities                    | 17    | <b>5,074</b>  | —   |
| Trade payables                       | 20    | <b>836,796</b>  | 13,652  |
| Other payables and accruals          |       | <b>161,148</b>  | 149,709   |
| Tax payables                         |       | —   | 1,048   |
| <b>Total current liabilities</b>     |       | <b>1,085,508</b>  | 580,197   |
| <b>Total liabilities</b>             |       | <b>1,202,392</b>  | 686,789   |
| <b>Total equity and liabilities</b>  |       | <b>1,207,616</b>  | 697,548   |
| <b>Net current assets</b>            |       | <b>89,734</b>   | 103,171   |
| <b>Net assets</b>                    |       | <b>5,224</b>  | 10,759  |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2019

|  | Attributable to owners of the Company     |  |  |                         |                         |  |   |   |                                  |  |   |
|--|---|--|--|-------------------------|-------------------------|--|---|---|----------------------------------|--|---|
|  | Issued capital<br>(Unaudited)<br>HK\$'000 | Share premium account<br>(Unaudited)<br>HK\$'000 | Contributed surplus<br>(Unaudited)<br>HK\$'000 | Equity component        |                         | Capital reduction reserve<br>(Unaudited)<br>HK\$'000 | Exchange fluctuation reserve<br>(Unaudited)<br>HK\$'000 | Accumulated losses<br>(Unaudited)<br>HK\$'000 | Total<br>(Unaudited)<br>HK\$'000 | Non-controlling interests<br>(Unaudited)<br>HK\$'000 | Total equity<br>(Unaudited)<br>HK\$'000 |
|  |   |  |  | of convertible bonds    | Share option reserve    |  |   |   |                                  |  |   |
|  |   |  |  | (Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000 |  |   |   |                                  |  |   |
| 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                                 |
| As at 31 December 2018 and<br>1 January 2019, as original<br>presented | 2,040                                     | 957,059  | 66,710   | 53,115                  | 27,328                  | 163,191  | (9,183)   | (1,318,571)                                   | (58,311)                         | 69,070   | 10,759                                  |
| Effect on adoption of<br>HKFRS 16                                      | —   | —  | —  | —                       | —                       | —  | —   | (68)  | (68)                             | (4)  | (72)                                    |
| As at 31 December 2018<br>and 1 January 2019, as<br>restated           | 2,040                                     | 957,059  | 66,710   | 53,115                  | 27,328                  | 163,191  | (9,183)   | (1,318,639)                                   | (58,379)                         | 69,066   | 10,687                                  |
| Changes in equity for 2019:  |   |  |  |                         |                         |  |   |   |                                  |  |   |
| Loss for the period  | —   | —  | —  | —                       | —                       | —  | —   | (8,969)                                       | (8,969)                          | (928)  | (9,897)                                 |
| Other comprehensive gain   | —   | —  | —  | —                       | —                       | —  | 2,507   | 93  | 2,600                            | 1,834  | 4,434                                   |
| Total comprehensive gain/<br>(loss)                                    | —   | —  | —  | —                       | —                       | —  | 2,507   | (8,876)                                       | (6,369)                          | 906  | (5,463)                                 |
| As at 31 March 2019  | 2,040                                     | 957,059  | 66,710   | 53,115                  | 27,328                  | 163,191  | (6,676)   | (1,327,515)                                   | (64,748)                         | 69,972   | 5,224                                   |

Notes:

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated quarterly results of the Group 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 the historical cost convention except for certain financial instruments which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The unaudited condensed consolidated quarterly results should be read in conjunction with the Group’s audited annual financial statements for the year ended 31 December 2018 (the “**2018 Annual Report**”). The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the 2018 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 2019. Except for the effect stated below, the adoption of the new revised HKFRSs has no material impact on the Group’s consolidated financial statements.

HKFRS 16 was issued in May 2016 and is effective for annual periods beginning on or after 1 January 2019. The Group has applied HKFRS 16 retrospectively, with the initial application date of 1 January 2019.

HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability and also classifies cash repayments of the lease liability into a principal portion and an interest portion.

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

HKFRS 16 substantially carries forward the lessor accounting requirements of the superseded HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has reviewed the impact of HKFRS 16 on all its contracts that are, or that contain leases with effect from 1 January 2019. The Group has opted for the modified retrospective application permitted by HKFRS 16 upon adoption of the new standard. Modified retrospective application requires the recognition of the cumulative impact of adoption of HKFRS 16 on all contracts as at 1 January 2019 in equity.

The details of adjustments to opening retained profits and other account balances as at 1 January 2019 are set out below.

### *Condensed Consolidated Statement of Financial Position*

|                       | <b>31 December<br/>2018</b> | <b>Adjustments</b>      | <b>1 January<br/>2019</b> |
|-----------------------|-----------------------------|-------------------------|---------------------------|
|                       | HK\$'000<br>(audited)       | HK\$'000<br>(unaudited) | HK\$'000<br>(unaudited)   |
| <b>Assets</b>         |                             |                         |                           |
| Right-of-use assets   | —                           | 9,708                   | 9,708                     |
| <b>Liabilities</b>    |                             |                         |                           |
| Lease liabilities     |                             |                         |                           |
| — Non-current portion | —                           | 5,161                   | 5,161                     |
| — Current portion     | —                           | 4,618                   | 4,618                     |
| <b>Equity</b>         |                             |                         |                           |
| Accumulated loss      | (1,318,571)                 | (68)                    | (1,318,639)               |



## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### *Condensed Consolidated Statement of Profit or Loss*

|   | <b>As per<br/>HKFRS 16</b> | <b>As per<br/>HKAS 17</b> | <b>Impact due<br/>to change</b> |
|---|----------------------------|---------------------------|---------------------------------|
|   | HK\$'000                   | HK\$'000                  | HK\$'000                        |
|   | (unaudited)                | (unaudited)               | (unaudited)                     |
| Administrative expenses for the<br>period ended 31 March 2019 | (11,452)                   | (11,536)                  | 84                              |
| Finance costs for the period<br>ended 31 March 2019           | (3,018)                    | (2,881)                   | (137)                           |
| Loss for the period ended<br>31 March 2019                    | (9,897)                    | (9,844)                   | (53)                            |

Modified retrospective application of HKFRS 16 also requires the Group to recognise a lease liability at the date of initial application for leases previously classified as an operating lease under the superseded HKAS 17 measured at the present value of the remaining lease payments, discounted using the Group's borrowing rate at the date of initial application. The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics for determination of present value of the remaining lease payments. The right-of-use assets have been recognised, on a lease-by-lease basis, at respective carrying amounts as if HKFRS 16 had been applied since the commencement date, but discounted using the Group's borrowing rate of 5.125% at the date of initial application.

## 2. 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) corporate consulting business segment is engaged in the provision of company secretarial services, accounting and financial reporting services and management consulting services;
- (b) trading business segment is engaged in the trading of goods, components and accessories;
- (c) financial services business segment is engaged in provision of finance lease services, provision of money lending services and provision of securities services;
- (d) the information technology business segment is engaged in distributorship of information technology products and the provision of relevant technical support services; and
- (e) 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 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.

## 2. SEGMENT REPORTING (Continued)

### For the three months ended 31 March 2019

|                                     | Corporate<br>consulting<br>business<br>(unaudited)<br>HK\$'000 | Trading<br>business<br>(unaudited)<br>HK\$'000 | Financial<br>services<br>business<br>(unaudited)<br>HK\$'000 | Information<br>technology<br>business<br>(unaudited)<br>HK\$'000 | Other<br>business<br>(unaudited)<br>HK\$'000 | Total<br>(unaudited)<br>HK\$'000 | Unallocated<br>(unaudited)<br>HK\$'000 | Group<br>Total<br>(unaudited)<br>HK\$'000 |
|-------------------------------------|--|--|--|--|--|----------------------------------|--|---|
| Segment revenue:                    |  |  |  |  |  |                                  |  |   |
| Revenue from external<br>customers  | 2,051  | 114,756  | 773  | —  | —  | 117,580                          | —                                      | 117,580                                   |
| Segment profit/(loss)               | 1,332  | (460)  | (4,500)  | (3)  | —  | (3,631)                          | 54                                     | (3,577)                                   |
| Interest income                     | —  | 15   | 6  | 1  | —  | 22                               | 1                                      | 23  |
| Finance costs                       | (16)   | (117)  | (36)   | —  | —  | (169)                            | (2,849)                                | (3,018)                                   |
| Other expenses                      | —  | —  | —  | —  | —  | —                                | (4,396)                                | (4,396)                                   |
| Profit/(Loss) before tax            | 1,316  | (562)  | (4,530)  | (2)  | —  | (3,778)                          | (7,190)                                | (10,968)                                  |
| Additions for non-current<br>assets | 4,260  | 1,323  | —  | —  | —  | 5,583                            | 5,388                                  | 10,971                                    |
| Depreciation                        | (120)  | (153)  | (396)  | —  | —  | (669)                            | (649)                                  | (1,318)                                   |

### For the three months ended 31 March 2018

|                                     | Trading<br>business<br>(unaudited)<br>HK\$'000 | Financial<br>services<br>business<br>(unaudited)<br>HK\$'000 | Information<br>technology<br>business<br>(unaudited)<br>HK\$'000 | Other<br>business<br>(unaudited)<br>HK\$'000 | Total<br>(unaudited)<br>HK\$'000 | Unallocated<br>(unaudited)<br>HK\$'000 | Group<br>Total<br>(unaudited)<br>HK\$'000 |
|-------------------------------------|--|--|--|--|----------------------------------|--|---|
| Segment revenue:                    |  |  |  |  |                                  |  |   |
| Revenue from external<br>customers  | 107,593  | 29,340   | 107  | —  | 137,040                          | —                                      | 137,040                                   |
| Segment 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)                                   |
| Profit/(Loss) before tax            | (73)   | (4,485)  | (36)   | —  | (4,594)                          | (7,955)                                | (12,549)                                  |
| Additions for non-current<br>assets | —  | 77   | —  | —  | 77                               | —                                      | 77  |
| Depreciation                        | (4)  | (142)  | (5)  | —  | (151)                            | (822)                                  | (973)                                     |

## 2. SEGMENT REPORTING (Continued)

### As at 31 March 2019

|                          | Corporate<br>consulting<br>business<br>(unaudited)<br>HK\$'000 | Trading<br>business<br>(unaudited)<br>HK\$'000 | Financial<br>services<br>business<br>(unaudited)<br>HK\$'000 | Information<br>technology<br>business<br>(unaudited)<br>HK\$'000 | Other<br>business<br>(unaudited)<br>HK\$'000 | Total<br>(unaudited)<br>HK\$'000 | Unallocated<br>(unaudited)<br>HK\$'000 | Group<br>Total<br>(unaudited)<br>HK\$'000 |
|--------------------------|--|--|--|--|--|----------------------------------|--|---|
| Segment assets           | 16,303   | 13,544   | 1,163,337  | 1,357  | —  | 1,194,541                        | —                                      | 1,194,541                                 |
| Bank balances and cash   |  |  |  |  |  |                                  |  |   |
| — general accounts       | —  | —  | —  | —  | —  | —                                | 261                                    | 261                                       |
| Other assets             | —  | —  | —  | —  | —  | —                                | 12,814                                 | 12,814                                    |
| <b>Total assets</b>      | <b>16,303</b>  | <b>13,544</b>                                  | <b>1,163,337</b>   | <b>1,357</b>   | <b>—</b>                                     | <b>1,194,541</b>                 | <b>13,075</b>                          | <b>1,207,616</b>                          |
| Segment liabilities      | (7,641)  | (7,836)  | (984,315)  | (1,841)  | —  | (1,001,633)                      | —                                      | (1,001,633)                               |
| Convertible bonds        | —  | —  | —  | —  | —  | —                                | (108,228)                              | (108,228)                                 |
| Promissory notes         | —  | —  | —  | —  | —  | —                                | (7,342)                                | (7,342)                                   |
| Other liabilities        | —  | —  | —  | —  | —  | —                                | (85,189)                               | (85,189)                                  |
| <b>Total liabilities</b> | <b>(7,641)</b>   | <b>(7,836)</b>                                 | <b>(984,315)</b>   | <b>(1,841)</b>   | <b>—</b>                                     | <b>(1,001,633)</b>               | <b>(200,759)</b>                       | <b>(1,202,392)</b>                        |

### As at 31 December 2018

|                          | Trading<br>business<br>(unaudited)<br>HK\$'000 | Financial<br>services<br>business<br>(unaudited)<br>HK\$'000 | Information<br>technology<br>business<br>(unaudited)<br>HK\$'000 | Other<br>business<br>(unaudited)<br>HK\$'000 | Total<br>(unaudited)<br>HK\$'000 | Unallocated<br>(unaudited)<br>HK\$'000 | Group<br>Total<br>(unaudited)<br>HK\$'000 |
|--------------------------|--|--|--|--|----------------------------------|--|---|
| Segment assets           | 12,597   | 673,685  | 1,336  | —  | 687,618                          | —                                      | 687,618                                   |
| Bank balances and cash   |  |  |  |  |                                  |  |   |
| — general accounts       | —  | —  | —  | —  | —                                | 262                                    | 262                                       |
| Other assets             | —  | —  | —  | —  | —                                | 9,668                                  | 9,668                                     |
| <b>Total assets</b>      | <b>12,597</b>                                  | <b>673,685</b>   | <b>1,336</b>   | <b>—</b>                                     | <b>687,618</b>                   | <b>9,930</b>                           | <b>697,548</b>                            |
| Segment liabilities      | (6,300)  | (496,849)  | (1,827)  | —  | (504,976)                        | —                                      | (504,976)                                 |
| Convertible bonds        | —  | —  | —  | —  | —                                | (105,651)                              | (105,651)                                 |
| Other liabilities        | —  | —  | —  | —  | —                                | (76,162)                               | (76,162)                                  |
| <b>Total liabilities</b> | <b>(6,300)</b>                                 | <b>(496,849)</b>   | <b>(1,827)</b>   | <b>—</b>                                     | <b>(504,976)</b>                 | <b>(181,813)</b>                       | <b>(686,789)</b>                          |

## 2. SEGMENT REPORTING (Continued)

### Geographical information

#### (a) Revenue from external customers

|                                  | Three months ended 31 March     |                                 |
|----------------------------------|---------------------------------|---------------------------------|
|                                  | 2019<br>(unaudited)<br>HK\$'000 | 2018<br>(unaudited)<br>HK\$'000 |
| Hong Kong                        | 117,124                         | 107,888                         |
| People Republic of China ("PRC") | 456                             | 29,152                          |
|                                  | <b>117,580</b>                  | 137,040                         |

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

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

|     | As at<br>31 March<br>2019<br>(unaudited)<br>HK\$'000 | As at<br>31 December<br>2018<br>(audited)<br>HK\$'000 |
|-----|--|---|
|     | Hong Kong  | 1,817   |
| PRC | 643  | 713   |
|     | <b>2,460</b>   | 2,682   |

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

## 2. SEGMENT REPORTING (Continued)

### Information about major customers

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

|  | Three months ended 31 March     |                                 |
|--|---------------------------------|---------------------------------|
|  | 2019<br>(unaudited)<br>HK\$'000 | 2018<br>(unaudited)<br>HK\$'000 |
| Customer A — revenue from trading business |                                 |                                 |
| — Hong Kong                                | 101,509                         | 98,866                          |
| Customer B — revenue from trading business |                                 |                                 |
| — Hong Kong                                | 3,215                           | —                               |
|  | <b>104,724</b>                  | 98,866                          |

## 3. 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:

|                                 | Three months ended 31 March     |                                 |
|---------------------------------|---------------------------------|---------------------------------|
|                                 | 2019<br>(unaudited)<br>HK\$'000 | 2018<br>(unaudited)<br>HK\$'000 |
| Revenue from:                   |                                 |                                 |
| Corporate consulting business   | 2,051                           | —                               |
| Trading business                | 114,756                         | 107,593                         |
| Financial services business     | 773                             | 29,340                          |
| Information technology business | —                               | 107                             |
|                                 | <b>117,580</b>                  | 137,040                         |

#### 4. LOSS BEFORE TAX

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

|   | Three months ended 31 March |             |
|---|-----------------------------|-------------|
|   | 2019                        | 2018        |
|   | (unaudited)                 | (unaudited) |
|   | HK\$'000                    | HK\$'000    |
| Depreciation expenses in respect of:          |                             |             |
| Right-of-use assets                           | 1,080                       | —           |
| Property, plant and equipment                 | 238                         | 973         |
| Staff costs (including directors' emoluments) | 3,761                       | 3,963       |

#### 5. FINANCE COSTS

|  | Three months ended 31 March |                 |
|--|-----------------------------|-----------------|
|  | 2019                        | 2018            |
|  | (unaudited)                 | (unaudited)     |
|  | HK\$'000                    | HK\$'000        |
| Imputed interest charge on convertible bonds (note 1)  | 2,577                       | 2,340           |
| Imputed interest charge on promissory notes  | 57                          | 945             |
| Coupon interest charge on promissory notes   | 13                          | —               |
| Interest charge on bank borrowings   | 615                         | 24,904          |
| Interest charge on other borrowings  | 135                         | 123             |
| Interest charge on finance lease obligation (note 2)   | 137                         | 11              |
|  | <b>3,534</b>                | <b>28,323</b>   |
| Less: interest charge on bank borrowings<br>included in cost of sales<br>for financial services business | <b>(516)</b>                | <b>(24,812)</b> |
|  | <b>3,018</b>                | <b>3,511</b>    |

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 |             |
|---------------------------------|-----------------------------|-------------|
|                                 | 2019                        | 2018        |
|                                 | (unaudited)                 | (unaudited) |
|                                 | HK\$'000                    | HK\$'000    |
| Hong Kong profits tax:          |                             |             |
| — current                       | —                           | —           |
| PRC enterprise income tax:      |                             |             |
| — current                       | —                           | —           |
| — over provision in prior years | (1,071)                     | (1,135)     |
| Total income tax                | (1,071)                     | (1,135)     |

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 2019 (three months ended 31 March 2018: 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 2019 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 |             |
|---|-----------------------------|-------------|
|   | 2019                        | 2018        |
|   | (unaudited)                 | (unaudited) |
|   | HK\$'000                    | HK\$'000    |
| Loss attributable to owners of the Company used in the basic loss per share calculation | 8,969                       | 10,423      |



## 8. LOSS PER SHARE (Continued)

|  | Number of shares (thousands) |                     |
|--|------------------------------|---------------------|
|  | 2019<br>(unaudited)          | 2018<br>(unaudited) |
| Shares   |                              |                     |
| Weighted average number of ordinary shares in issue during the period                    | <b>2,040,094</b>             | 2,040,094           |
| 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>             | 2,214,007           |

No diluted loss per share information presented for the periods ended 31 March 2019 and 2018 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 2019, the Group acquired approximately HK\$0.1 million in computer and office equipment (for the year ended 31 December 2018: HK\$2.2 million).

## 10. GOODWILL

|  | HK\$'000      |
|--|---------------|
| <b>COST:</b>                                       |               |
| At 1 January 2018 and 31 December 2018 (audited)   | <b>5,803</b>  |
| Acquisition through business combination (note 22) | <b>5,285</b>  |
| At 31 March 2019 (unaudited)                       | <b>11,088</b> |
| <b>ACCUMULATED IMPAIRMENT LOSSES:</b>              |               |
| At 1 January 2018 (audited)                        | —             |
| Impairment loss for the year                       | 5,803         |
| At 1 January 2019 and 31 December 2018 (audited)   | <b>5,803</b>  |
| Impairment loss for the period                     | —             |
| At 31 March 2019                                   | <b>5,803</b>  |
| <b>NET CARRYING AMOUNT:</b>                        |               |
| At 31 March 2019 (unaudited)                       | <b>5,285</b>  |
| At 31 December 2018 (audited)                      | —             |

## 11. INTANGIBLE ASSETS

For the three months ended 31 March 2019, the Group acquired the following intangible assets through the acquisition of subsidiaries. Details of the acquisition of subsidiaries are set out in note 22. There is no addition of intangible assets for the year ended 31 December 2018.

Customer relationship of HK\$1,419,000 represented the intangible asset arose from the acquisition of corporate consulting business and was valued as of the respective date of acquisition by an independent qualified valuer on the basis of the excess earnings method under the income approach. The management of the Group considered customer relationship has finite useful lives and is amortised on a straight-line basis over 5 years.

## 12. RIGHT-OF-USE ASSETS

|  | HK\$'000 |
|--|----------|
| <b>COST:</b>                                     |          |
| At 1 January 2019                                | —        |
| Recognition upon initial application of HKFRS 16 | 9,708    |
| Acquired through business combination (note 22)  | 3,770    |
| <hr/>  |          |
| At 31 March 2019 (unaudited)                     | 13,478   |
| <hr/>  |          |
| <b>ACCUMULATED DEPRECIATION:</b>                 |          |
| At 1 January 2019                                | —        |
| Recognition upon initial application of HKFRS 16 | 68       |
| Provided for the period                          | 1,025    |
| Exchange realignment                             | (13)     |
| <hr/>  |          |
| At 31 March 2019                                 | 1,080    |
| <hr/>  |          |
| <b>NET CARRYING AMOUNT:</b>                      |          |
| At 31 March 2019 (unaudited)                     | 12,398   |

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

### 13. 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<br/>31 March<br/>2019<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2018<br>(audited)<br>HK\$'000 |
|----------------|---|---|
| Within 30 days | <b>821,330</b>  | 283   |
| 31 to 60 days  | <b>52</b>   | 24  |
| 61 to 120 days | <b>96</b>   | 24  |
| Over 120 days  | <b>2,137</b>  | 2,129   |
|                | <b>823,615</b>  | 2,460   |

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

|              | <b>As at<br/>31 March<br/>2019<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2018<br>(audited)<br>HK\$'000 |
|--------------|---|---|
| Not impaired | <b>823,615</b>  | 2,460   |

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.

## 14. FINANCE LEASE RECEIVABLES

|                                       | <b>As at<br/>31 March<br/>2019<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2018<br>(audited)<br>HK\$'000 |
|---------------------------------------|---|---|
| Current finance lease receivables     | <b>211,121</b>  | 547,941   |
| Non-current finance lease receivables | <b>4,596</b>  | 5,283   |
|                                       | <b>215,717</b>  | 553,224   |

### Amount receivable under finance leases

|  | Minimum<br>lease payment  |   | Present value of minimum<br>lease payment                       |   |
|--|---|---|---|---|
|  | <b>As at<br/>31 March<br/>2019<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2018<br>(audited)<br>HK\$'000 | <b>As at<br/>31 March<br/>2019<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2018<br>(audited)<br>HK\$'000 |
| Within one year  | <b>229,399</b>  | 565,846   | <b>211,121</b>  | 547,941   |
| In more than one year but<br>not more than two years   | <b>4,670</b>  | 4,554   | <b>3,602</b>  | 3,388   |
| In more than two years but<br>not more than five years | <b>1,174</b>  | 2,281   | <b>994</b>  | 1,895   |
|  | <b>235,243</b>  | 572,681   | <b>215,717</b>  | 553,224   |
| Unearned finance income                                | <b>(19,526)</b>   | (19,457)  | <b>N/A</b>  | N/A   |
| Present value of<br>minimum lease payment              | <b>215,717</b>  | 553,224   | <b>215,717</b>  | 553,224   |

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 4.81% to 9.40% per annum as at 31 March 2019 (31 December 2018: 4.05% 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 2019 and 31 December 2018 are neither past due nor impaired.

The term of finance leases entered into ranged from 3 to 5 years.

## 15. BANK BALANCES AND CASH

|  | <b>As at<br/>31 March<br/>2019<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2018<br>(audited)<br>HK\$'000 |
|--|---|---|
| Bank balances — trust accounts ( <i>note</i> ) | <b>11,047</b>   | 6,543   |
| Bank balances and cash — general accounts      | <b>14,592</b>   | 12,255  |
|  | <b>25,639</b>   | 18,798  |

*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 2019, the Group's bank balances and cash — general accounts amounted to approximately HK\$14.6 million (31 December 2018: HK\$12.3 million), approximately HK\$2.1 million was denominated in RMB and approximately of HK\$12.5 million was denominated in Hong Kong dollars. Therein, approximately HK\$12.3 million, about 84.2% (31 December 2018: HK\$10.8 million, about 87.9%) were bank balances deposited with credit worthy banks of high credit ratings in Hong Kong, in which approximately HK\$11.4 million (31 December 2018: HK\$10.7 million) was denominated in Hong Kong dollars. Included in bank balances and cash — general accounts, there is a pledged deposit of approximately HK\$4 million to secure a general banking facility (*note* 18).

## 16. CONVERTIBLE BONDS

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

|                                 | <b>As at<br/>31 March<br/>2019<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2018<br>(audited)<br>HK\$'000 |
|---------------------------------|---|---|
| At beginning of the period/year | <b>105,651</b>  | 95,940  |
| Interest charged                | <b>2,577</b>  | 9,711   |
| At end of the period/year       | <b>108,228</b>  | 105,651   |



## 18. BANK BORROWINGS

|   | <b>As at<br/>31 March<br/>2019<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2018<br>(audited)<br>HK\$'000 |
|---|---|---|
| Fixed rate:   |   |   |
| Secured bank borrowings   |   |   |
| — due within one year ( <i>note 1</i> )   | <b>75,148</b>   | 415,788   |
|   | <b>75,148</b>   | 415,788   |
| Secured bank borrowings   |   |   |
| — due more than one year,<br>but not more than three years<br>( <i>note 1</i> ) | —   | —   |
|   | <b>75,148</b>   | 415,788   |

*Note:*

- (1) Bank borrowings obtained in the PRC were secured by the finance lease assets held by the leasee with the carrying value of approximately RMB60.0 million (equivalent to approximately HK\$70.2 million), as at 31 March 2019 (31 December 2018: RMB554.1 million (equivalent to approximately HK\$630.8 million)). The interest rate of the bank loans were 4% per annum as at 31 March 2019 and 31 December 2018.

Included therein, a general banking facility amounted to HK\$7.0 million was secured by a deposit of HK\$4.0 million (31 December 2018: HK\$4.0 million). The facility was utilised to the extent of approximately HK\$5.0 million as at 31 March 2019 (31 December 2018: HK\$5.0 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.

## 19. SHARE CAPITAL

|   | Number of<br>shares<br>in '000 | Nominal<br>values<br>HK\$'000 |
|---|--------------------------------|-------------------------------|
| <b>Authorised:</b>                          |                                |                               |
| As at 31 December 2018<br>and 31 March 2019 |                                |                               |
| <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 31 December 2018<br>and 31 March 2019 |                                |                               |
| <b>Ordinary shares of HK\$0.001 each</b>    | <b>2,040,094</b>               | <b>2,040</b>                  |

## 20. TRADE PAYABLES

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<br>31 March<br>2019<br>(unaudited)<br>HK\$'000 | As at<br>31 December<br>2018<br>(audited)<br>HK\$'000 |
|----------------|--|---|
| Within 30 days | <b>4,998</b>   | 4,490   |
| 31 to 60 days  | <b>9</b>   | 22  |
| 61 to 120 days | <b>22</b>  | 202   |
| Over 120 days  | <b>2,378</b>   | 2,384   |
|                | <b>7,407</b>   | 7,098   |



## 21. PROMISSORY NOTES

On 28 February 2019, the Company issued a promissory note with principal amount of HK\$8.0 million (2019 PN) as a consideration for the acquisition of VCSL Group (as defined in note 22). The 2019 PN bears interest at 2% per annum and is due on the date falling on the last day of the 12th month from the date of issue of the 2019 PN (the "2019 PN Maturity Date"). The maturity date is 28 February 2020. The Company has the right to repay in full or in part of the principal amount of the 2019 PN prior to the 2019 PN Maturity Date at par.

The movement of the promissory notes was as follows:

|   | <b>As at<br/>31 March<br/>2019<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2018<br>(audited)<br>HK\$'000 |
|---|---|---|
| At beginning of the period/year   | —   | 27,622  |
| Issuance upon acquisition of VCSL Group (as defined in note 22) on 28 February 2019 ("2019 PN") | <b>7,272</b>  | —   |
| Coupon interest charged   | <b>13</b>   | —   |
| Imputed interest charged  | <b>57</b>   | 1,272   |
| Transfer to other payables upon maturity  | —   | (28,894)  |
| At end of the period/year   | <b>7,342</b>  | —   |

The fair value of the 2019 PN was approximately HK\$7.2 million as at the issue date, calculated at the effective interest rate of 10.01% per annum. The promissory note was carried at amortised cost until settlement on due date. As a result, the carrying amount of outstanding 2019 PN was HK\$7.3 million.

## 22. ACQUISITION OF SUBSIDIARY

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

## 22. ACQUISITION OF SUBSIDIARY (Continued)

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

|  | <b>Fair value<br/>HK\$'000<br/>(unaudited)</b> |
|--|--|
| Property, plant and equipment  | 20   |
| Right-of-use assets  | 3,770  |
| Intangible assets  | 1,419  |
| Trade receivables  | 998  |
| Other receivables  | 36   |
| Prepayments and deposits   | 544  |
| Bank balances and cash   | 2,654  |
| Tax receivables  | 226  |
| Trade payables   | (638)  |
| Deferred income  | (3)  |
| Receipts in advance  | (33)   |
| Deferred tax liabilities   | (234)  |
| Dividend payable   | (2,970)  |
| Lease liabilities  | (3,802)  |
|  | <hr/>  |
| Fair value of net assets acquired  | 1,987  |
|  | <hr/>  |
|  | <b>HK\$'000<br/>(unaudited)</b>                |
|  | <hr/>  |
| Total consideration satisfied by promissory notes issued at fair value<br><i>(note 21)</i> | 7,272  |
|  | <hr/>  |
| Less: Fair value of net assets acquired  | 1,987  |
|  | <hr/>  |
| Goodwill <i>(note 10)</i>  | 5,285  |
|  | <hr/> <hr/>                                    |
| Cash consideration paid  | —  |
| Bank balances and cash in subsidiaries acquired  | 2,654  |
|  | <hr/>  |
| Net cash inflow from acquisition of subsidiaries   | 2,654  |
|  | <hr/> <hr/>                                    |

### 23. CAPITAL COMMITMENTS

The Group did not have any material capital commitments as at 31 March 2019 (31 December 2018: Nil).

### 24. CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any significant contingent liabilities (31 December 2018: Nil).

### 25. 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                 | Three months ended 31 March     |                                 |
|---------------------------|-------------------------------|---------------------------------------|---------------------------------|---------------------------------|
|                           |                               |                                       | 2019<br>(unaudited)<br>HK\$'000 | 2018<br>(unaudited)<br>HK\$'000 |
| Cheung Wai Yin,<br>Wilson | Director of the<br>Company    | Loan payable                          | 12,155                          | —                               |
| Wong Hin Shek             | Shareholder of<br>the Company | Loan interest payable<br>Loan payable | 192<br>13,030                   | —<br>—                          |

Total compensation paid to key management personnel during the period amounted to approximately HK\$1,484,000 (three months ended 31 March 2018: HK\$1,484,000).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

For the three months ended 31 March 2019, the Group recorded a revenue of approximately HK\$117.6 million (three months ended 31 March 2018: approximately HK\$137.0 million). Loss for the period attributable to owners of the Company was approximately HK\$9.0 million (three months ended 31 March 2018: approximately HK\$10.4 million). Basic and diluted loss per share was approximately HK\$0.004 (three months ended 31 March 2018: approximately HK\$0.005). The net loss was mainly attributable from the tightening fiscal policy and stricter lending conditions affected the financial leasing market in the PRC leading to the decrease in both turnover and gross margin.

### **BUSINESS REVIEW**

#### **Corporate consulting business**

On 28 February 2019, Earning Action Limited, a wholly-owned subsidiary of the Company, acquired the entire interest in VCSL Group, which is principally engaged in corporate consulting services including company secretarial services, accounting and financial reporting services and management consulting services. The revenue for the three months ended 31 March 2019 was approximately HK\$2.1 million and the segment profit was approximately HK\$1.3 million.

#### **Trading business**

The revenue for the three months ended 31 March 2019 of the trading business was approximately HK\$114.8 million (three months ended 31 March 2018: approximately HK\$107.6 million) and a segment loss of approximately HK\$0.5 million (three months ended 31 March 2018: approximately HK\$0.01 million). Trading business is one of the core businesses of the Group which contributed approximately 97.6% of the Group's revenue for the three months ended 31 March 2019. Having our trading outlet located in Sheung Shui, where is the most convenient location for the PRC visitors shopping for confectioneries, daily and pharmacy products, the source of revenue was comparatively stable. However, as the competition is fierce, the gross profit margin is comparatively low.

#### **Financial services business**

The financial services business includes the provision of financial leasing services, money lending services, securities brokerage services and asset management business. The revenue for the three months ended 31 March 2019 of the financial services business was approximately HK\$0.8 million (three months ended 31 March 2018: approximately HK\$29.3 million) and a segment loss of approximately HK\$4.5 million (three months ended 31 March 2018: approximately HK\$4.5 million). The segment loss was mainly due to the significant drop of revenue resulting from the tightening fiscal policy and stricter lending conditions affected the financial leasing market in the PRC.

## BUSINESS REVIEW (Continued)

### Financial services business (continued)

As at 31 March 2019, 恒河融資租賃（上海）有限公司 (Heng He Finance Lease (Shanghai) Company Limited\*) (“**Heng He**”) had the following material finance lease contracts in an aggregate amount of RMB205.0 million. Details of the finance lease contracts are as follows:

|                     | Principal<br>Amount<br>(RMB'000) | Date            | Tenor   | Interest rate<br>per annum |
|---------------------|----------------------------------|-----------------|---------|----------------------------|
| Customer A (Note 1) | 25,000                           | 20 January 2017 | 3 years | 6.18%                      |
| Customer B (Note 2) | 65,000                           | 18 August 2016  | 3 years | 6.18%                      |
| Customer C (Note 3) | 115,000                          | 20 October 2016 | 3 years | 5.10%                      |

#### Notes:

1. A company incorporated in the PRC which is principally engaged in embroidery processing.
2. A company incorporated in the PRC which engages in digital networking and information technology development.
3. A company incorporated in the PRC which specializes in the provision of heat supply and industrial use steam.

### Information technology business

The revenue for the three months ended 31 March 2019 of the information technology business was nil (three months ended 31 March 2018: approximately HK\$0.1 million) and a segment loss of approximately HK\$0.003 million (three months ended 31 March 2018: approximately HK\$0.04 million) which was mainly contributed by 綿陽恆達信息科技有限公司 (Mian Yang Heng Da Information Technology Limited\*) (“**Heng Da**”). Due to the unsatisfactory financial performance of Heng Da in the past years, the Group decided to dispose its entire 60% equity interests in Heng Da to an independent third party for a cash consideration of RMB10,000 in December 2018. The disposal is still pending for the approval from the Mian Yang government. Once the disposal is approved, Heng Da will be no longer the subsidiary of the Group.

\* For identification purpose only

## OUTLOOK

### **Corporate consulting business**

Given the steady increment of the listed companies in Hong Kong, the Group anticipates the demand from Hong Kong listed issuers requesting for professional services in relation to corporate governance matters and compliance with the appropriate local rules governing the listed companies in Hong Kong and other relevant legal and regulatory requirements will persist. The completion of an acquisition of the entire interest in VCSL Group which is principally engaged in the provision of corporate consulting services would enhance the revenue stream of Group in the foreseeable future.

### **Trading business**

Although the competition in the trading business is fierce, the Group strive to increase the variety of its selling products to maintain the competitiveness and secure the Group's source of revenue.

### **Financial services business**

During the period under review, the business environment of financial leasing services business in the PRC continues difficult. The commercial banks were unwilling to or were not be able to refer new customers with larger business size due to their tightening fiscal policy and stricter lending conditions. The Group expects that the development will remain sluggish in the coming future.

While for the other business divisions, such as provision of money lending services, securities brokerage services and asset management business, the Group had strived to formulate different business strategies in strengthening their operations to maximize returns.

Furthermore, the Group will continue to seize other growth opportunities to enhance competitiveness to strive for the best return to the shareholders of the Company (the "**Shareholders**").

## CONVERTIBLE BONDS

Further to the convertible bonds issued by the Company on 12 August 2008 (the “**2008 CB**”) as part of the consideration for the acquisition of forest concessions in Papua, Indonesia, the Company issued further convertible bonds on 21 April 2015 (the “**2015 CB**”) in the principal amount of HK\$40.0 million as part of the consideration for the acquisition of the entire issued share capital of Blossom Height Ventures Limited.

As at 31 March 2019, the Company had outstanding 2008 CB and 2015 CB of aggregate principal amounts of approximately HK\$124.1 million and HK\$40.0 million respectively which could be converted into 1,305,978,947 shares of the Company (the “**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 (the “**High Court**”) by Mr. Au Kai To Karel, as the plaintiff claiming against (i) End User Technology Limited (“**End User**”), an indirect wholly-owned subsidiary of the Company, as the 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 (the “**Judgement**”) ordering, among others, that the Company and End User, to pay, jointly and severally, damages to Mr. Au Kai To Karel in the sum of HK\$4.4 million.

As announced by the Company in its announcement dated 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.

## LITIGATION (Continued)

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

On 4 January 2019, the Court of Appeal allowed the Company's appeal despite dismissing End User's appeal. Reasons for judgment was handed down on 18 January 2019. The Group will seek further legal advice on the reasons for judgment and other appropriate actions will be taken thereon if so advised. The Group 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.

The Group will keep its Shareholders and the public informed of any further significant developments by making further announcements as and when appropriate.

## FINANCIAL ASSISTANCES RECEIVED BY THE COMPANY

During the period ended 31 March 2019, Mr. Cheung Wai Yin Wilson ("**Mr. Cheung**"), the executive Director, advanced fund of approximately HK\$12.2 million (31 December 2018: 13.6 million) to the Company at no interest and no fixed repayment terms.

On 28 September 2018, Mr. Wong Hin Shek ("**Mr. Wong**"), the substantial shareholder of the Company, entered into a loan agreement with the Company in which Mr. Wong agreed to grant a loan facility to the Company in the principal amount of up to HK\$25,000,000 at an interest rate of 5.125% per annum with an availability period from 28 September 2018 up to 30 September 2019. Loans will be matured after twelve months from the drawdown date. As at 31 March 2019, the outstanding principal amount was approximately HK\$13.0 million (31 December 2018: approximately HK\$8.9 million).

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



## **PLEDGE OF ASSETS**

As at 31 March 2019, the Group pledged bank deposits of approximately HK\$4.0 million (31 December 2018: approximately HK\$4.0 million) to secure banking facilities of the Group.

## **CAPITAL STRUCTURE**

The Company had no changes in capital structure during the period ended 31 March 2019.

## **INVESTMENT POSITION AND PLANNING**

### **Acquisition of 100% interest in VCSL Group**

On 18 February 2019, the Company through a direct wholly-owned subsidiary entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”), pursuant to which the Company conditionally agreed to acquire the entire interest in VCSL Group (the “**Acquisition**”) at a consideration of HK\$8,000,000, which shall be settled by way of issue of the promissory notes by the Company. VCSL Group is principally engaged in the corporate consulting services including company secretarial services, accounting and financial reporting services and management consulting services.

On 28 February 2019, all conditions precedent for the completion under the Sale and Purchase Agreement had been fulfilled and completion took place in accordance with the terms and conditions of the Sale and Purchase Agreement. Following the completion, VCSL became an indirectly wholly-owned subsidiary of the Company and the financial results of the VCSL Group were consolidated into the financial statements of the Group.

Details of the Acquisition are set out in the Company’s announcements dated 18 February 2019 and 28 February 2019.

## **SHARE OPTION SCHEME**

The share option scheme of the Company (the “**Share Option Scheme**”) was adopted by the Shareholders 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.

## SHARE OPTION SCHEME (Continued)

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

| Name   | Number of share options          |                           |                             |                                     | Outstanding as at 31 March 2019 | Date of grant of the share options | Exercise period of the share options | Price of the shares before the date of grant<br>(Note 2)<br>per share | Exercise price of the share options<br>(Note 1)<br>per share |
|--|----------------------------------|---------------------------|-----------------------------|-------------------------------------|---------------------------------|------------------------------------|--------------------------------------|---|--|
|  | Outstanding as at 1 January 2019 | Granted during the period | Exercised during the period | Cancelled/ Lapsed During the period |                                 |                                    |                                      |   |  |
| <b>Executive director</b>                        |                                  |                           |                             |                                     |                                 |                                    |                                      |   |  |
| Cheung Wai Yin, Wilson                           | 100,000,000                      | —                         | —                           | —                                   | 100,000,000                     | 19/8/2015                          | 19/8/2015 – 18/8/2025                | 0.147   | 0.147  |
| Lau Chi Yan, Pierre                              | 20,000,000                       | —                         | —                           | —                                   | 20,000,000                      | 19/8/2015                          | 19/8/2015 – 18/8/2025                | 0.147   | 0.147  |
| <b>Independent non-executive Directors</b>       |                                  |                           |                             |                                     |                                 |                                    |                                      |   |  |
| Yeung Mo Sheung, Ann                             | 16,483                           | —                         | —                           | —                                   | 16,483                          | 17/1/2013                          | 17/1/2013 – 16/1/2023                | 0.010   | 2.130  |
|  | 1,000,000                        | —                         | —                           | —                                   | 1,000,000                       | 19/8/2015                          | 19/8/2015 – 18/8/2025                | 0.147   | 0.147  |
| Ng Kay Kwok ("Mr. Ng") (Note 3)                  | 1,000,000                        | —                         | —                           | —                                   | 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                           | —                         | —                           | —                                   | 28,241                          | 30/5/2012                          | 30/5/2012 – 29/5/2022                | 0.017   | 3.600  |
|  | 40,000,000                       | —                         | —                           | —                                   | 40,000,000                      | 19/8/2015                          | 19/8/2015 – 18/8/2025                | 0.147   | 0.147  |
| Other eligible participants                      | 332,003                          | —                         | —                           | —                                   | 332,003                         | 30/5/2012                          | 30/5/2012 – 29/5/2022                | 0.017   | 3.600  |
|  | 14,128                           | —                         | —                           | —                                   | 14,128                          | 17/1/2013                          | 17/1/2013 – 16/1/2023                | 0.010   | 2.130  |
|  | 71,000,000                       | —                         | —                           | —                                   | 71,000,000                      | 19/8/2015                          | 19/8/2015 – 18/8/2025                | 0.147   | 0.147  |
|  | <u>233,390,855</u>               | <u>—</u>                  | <u>—</u>                    | <u>—</u>                            | <u>233,390,855</u>              |                                    |                                      |   |  |

### Notes:

- 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.
- 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.
- Mr. Ng resigned as an independent non-executive Director with effect from 1 April 2019. According to the Share Option Scheme, the share options which held by Mr. Ng will be lapsed on the expiry of 3 months after the date of cessation of his employment (i.e. 1 July 2019).

During the period for the three months ended 31 March 2019, no share options were granted by the Company.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2019, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 2019

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

| Name of directors      | Personal  | Total     | Approximate   |
|------------------------|-----------|-----------|---|
|                        |           |           | percentage of the total issued share capital of the Company (%) |
| Cheung Wai Yin, Wilson | 557,811   | 557,811   | 0.02%   |
| Lau Chi Yan, Pierre    | 3,984,375 | 3,984,375 | 0.20%   |

(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<br>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 ( <i>Note</i> ) | 19/8/2015                          | 19/8/2015 - 18/8/2025                | 0.147                            | 1,000,000                               | 1,000,000                             | 0.049%  |

*Note:* Mr. Ng resigned as an independent non-executive Director with effect from 1 April 2019. According to the Share Option Scheme, the share options which held by Mr. Ng will be lapsed on the expiry of 3 months after the date of cessation of his employment (i.e. 1 July 2019).

## 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 2019 (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<br>HK\$ | Number of the total underlying shares | Approximate percentage of the total issued share capital of the Company<br>(%) |
|---|---|---------------------------------------|--|
| 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 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 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 31 March 2019, 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" above, at no time during the period for the three months ended 31 March 2019 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 2019, the following persons (not being the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

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

| Name of Shareholders                                      | Nature of interest/capacity | Number of Shares | Approximate percentage of total issued share capital of the Company (%) |
|---|-----------------------------|------------------|---|
| Team Sunny International Holdings Limited ( <i>Note</i> ) | Beneficial owner            | 471,640,000      | 23.12   |
| Wong Hin Shek ( <i>Note</i> )                             | Controlled corporation      | 471,640,000      | 23.12   |

*Note:* The interest is held by Team Sunny International Holdings Limited, a company incorporated in the British Virgin Islands owned as to 100% by Mr. Wong Hin Shek.

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

| Name of the holder of the convertible bonds | Nature of Interest     | Principal amount of the convertible bonds<br>HK\$ | Number of the total underlying shares | Approximate percentage of the total issued share capital of the Company (%) |
|---|------------------------|---|---------------------------------------|---|
| Ivana                                       | Beneficial owner       | 110,000,000                                       | 1,157,894,736                         | 56.76   |
| CW Limited (Note 1)                         | Controlled corporation | 110,000,000                                       | 1,157,894,736                         | 56.76   |
| Asiitrust Limited (Note 1)                  | Trustee                | 110,000,000                                       | 1,157,894,736                         | 56.76   |
| Yihua Enterprise Limited                    | Beneficial owner       | 40,000,000  | 173,913,043                           | 8.52  |
| Cheng Jun (Note 2)                          | Controlled corporation | 40,000,000  | 173,913,043                           | 8.52  |
| Gao Yun Feng (Note 2)                       | Controlled corporation | 40,000,000  | 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 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.

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 2019, 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.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

Ms. Tsang Kwai Ping ("**Ms. Tsang**"), an executive Director, is a director of a company incorporated in Hong Kong with limited liability which is principally engaged in the provision of company secretarial services for non-listed Hong Kong companies in Hong Kong. Ms. Tsang has irrevocably and unconditionally provided the Company an undertaking in accordance with the terms and conditions under outside interests and non-competition undertaking set out in her service agreement.

For the three months ended 31 March 2019, save as disclosed above, no Directors or their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS**

The Company has not adopted a code of conduct nor established written guidelines regarding the securities transactions by the Directors and relevant employees of the Company but has applied the principles of the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. All Directors have confirmed, following the specific enquiry by the Company, that they have complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the period under review.

## **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 2019.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has always recognised the importance of the transparency and accountability to Shareholders. It is the belief of the Board that the Shareholders can maximise their benefits from good corporate governance. The Company is committed to maintaining and ensuring high standards of corporate governance and to complying with applicable statutory and regulatory requirements with a view to assuring the conduct of management as well as protecting the interests of the Shareholders.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") in Appendix 15 of the GEM Listing Rules. Throughout the period ended 31 March 2019, to the best knowledge of the Board, the Company has complied with the code provisions set out in the CG Code 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.

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

As at 31 March 2019, the Board composed of five Directors including three independent non-executive Directors 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, as well as the Company, intends to comply with this code provision by seeking and appointing suitable candidate with appropriate background, acknowledge, experience and calibre to assume the role as the chairman of the Company.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (Continued)

### Code Provision A.4.2

The Code Provision A.4.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Pursuant to the articles of association of the Company, the Chairman and the managing Director shall not be subject to retirement by rotation or also not be taken into account in determining the number of directors to retire in each year. The Board considers that the continuity of the Chairman and the managing Director and their leaderships will be essential for the stability of the key management of the Board. On the other hand, the Board will ensure that the Directors other than the Chairman and the managing Director will rotate at least once every three years in order to comply with the Code Provision A.4.2.

### AUDIT COMMITTEE

The Company has established 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 auditor of the Company.

During the period for the three months ended 31 March 2019, the Audit Committee consists of three members comprising three independent non-executive Directors, namely Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok ("**Mr. Ng**") and Mr. Au-yeung Sei Kwok, one of whom is a qualified accountant and has extensive experience in accounting and financial matters.

On 1 April 2019, Mr. Ng resigned as an independent non-executive Director and ceased to act as a member of the Audit Committee. The minimum number of members and the composition of the Audit Committee fails to meet the requirements under Rule 5.28 of the GEM Listing Rules upon the resignation of Mr. Ng.

On 7 May 2019, Ms. Ng Ka Sim, Casina has been appointed as an independent non-executive Director and a member of the Audit Committee. Following the appointment of Ms. Ng, the Company has fulfilled the requirements under Rule 5.28 of the GEM Listing Rules.

The Audit Committee has reviewed with the senior management of the Company the unaudited condensed consolidated first quarterly results of the Group for the three months ended 31 March 2019.



## EVENTS AFTER REPORTING PERIOD

### Change of Directors and members of the Board Committees

On 1 April 2019, Ms. Tsang Kwai Ping has been appointed as an executive Director and Mr. Ng Kay Kwok resigned as an independent non-executive Director and a member of each of the Audit Committee, the nomination committee of the Company and the remuneration committee of the Company (together the "**Board Committees**").

On 7 May 2019, Ms. Ng Ka Sim, Casina has been appointed as an independent non-executive Director and a member of each of the Board Committees.

By order of the Board of  
**MERDEKA FINANCIAL SERVICES GROUP LIMITED**  
**Cheung Wai Yin, Wilson**  
*Chairman and Chief Executive Officer*

Hong Kong, 10 May 2019

As at the date of this announcement, the Directors are:

*Executive Directors:*

Mr. Cheung Wai Yin, Wilson                      *(Chairman and Chief Executive Officer)*  
Mr. Lau Chi Yan, Pierre                         *(Managing Director)*  
Ms. Tsang Kwai Ping

*Independent Non-executive Directors:*

Ms. Yeung Mo Sheung, Ann  
Mr. Au-yeung Sei Kwok  
Mr. Ng Ka Sim, Casina

*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>.*