



MERDEKA

MERDEKA FINANCIAL SERVICES GROUP LIMITED

萬德金融服務集團有限公司*

STOCK CODE 股份代號: 8163

** for identification purposes only*
* 僅供識別

INTERIM REPORT 2019
二零一九年中期報告

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This report, for which the directors of Merdeka Financial Services Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

香港聯合交易所有限公司（「聯交所」）GEM（「GEM」）的特色

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

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

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本報告乃遵照《聯交所GEM證券上市規則》（「《GEM上市規則》」）的規定而刊載，旨在提供有關Merdeka Financial Services Group Limited（萬德金融服務集團有限公司*）（「本公司」）之資料；本公司各董事願共同及個別對此負全責。本公司各董事經作出一切合理查詢後確認，就彼等所深知及確信，本報告所載資料在一切重大方面均屬準確及完整，且無誤導或欺詐成分，且無遺漏任何其他事實，致使本報告所載任何聲明或本報告產生誤導。

* 僅供識別

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to announce that the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and the six months ended 30 June 2019, together with the comparative unaudited figures for the corresponding periods in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three and six months ended 30 June 2019

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
REVENUE	3	129,139	149,404	246,719	286,444
Cost of sales		(125,712)	(148,960)	(240,138)	(280,543)
Gross profit		3,427	444	6,581	5,901
Other income		999	154	1,347	174
Gain on the disposal of a subsidiary	4	173	—	173	—
Operating and administrative expenses		(9,349)	(5,725)	(20,801)	(20,240)
Written off of inventories		—	(10)	—	(10)
Finance costs	5	(3,294)	(3,002)	(6,312)	(6,513)
LOSS BEFORE TAXATION	6	(8,044)	(8,139)	(19,012)	(20,688)
Income tax	7	(6)	(1,135)	1,065	—
LOSS FOR THE PERIOD		(8,050)	(9,274)	(17,947)	(20,688)
Loss attributable to:					
Owners of the Company		(7,800)	(8,152)	(16,769)	(18,575)
Non-controlling interests		(250)	(1,122)	(1,178)	(2,113)
		(8,050)	(9,274)	(17,947)	(20,688)
		HK\$	HK\$	HK\$	HK\$
LOSS PER SHARE					
Basic and diluted	9	(0.004)	(0.004)	(0.008)	(0.008)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 June 2019

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(8,050)	(9,274)	(17,947)	(20,688)
Other comprehensive loss, after tax: Exchange difference on translating of financial statements of overseas subsidiaries	(4,502)	(12,836)	(68)	(2,975)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(12,552)	(22,110)	(18,015)	(23,663)
Total comprehensive loss attributable to:				
Owners of the Company	(10,419)	(15,895)	(16,788)	(20,363)
Non-controlling interests	(2,133)	(6,215)	(1,227)	(3,300)
	(12,552)	(22,110)	(18,015)	(23,663)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	2,468	2,682
Statutory deposit		510	510
Goodwill	11	5,285	—
Intangible assets	12	7,030	5,705
Right-of-use assets	13	11,063	—
Finance lease receivables	15	3,630	5,283
Total non-current assets		29,986	14,180
Current assets			
Inventories		1,031	1,010
Trade receivables	14	800,437	2,460
Prepayments, deposits and other receivables		112,373	112,731
Finance lease receivables	15	204,677	547,941
Held-for-trade investments		216	428
Bank balances — trust accounts	16	7,166	6,543
Bank balances and cash — general accounts	16	16,696	12,255
Total current assets		1,142,596	683,368
Current liabilities			
Bank borrowings due within one year	19	72,444	415,788
Lease liabilities	18	4,841	—
Promissory notes	22	7,557	—
Trade payables	21	809,521	13,652
Other payables and accruals		167,190	149,709
Tax payables		—	1,048
Total current liabilities		1,061,553	580,197
Net current assets		81,043	103,171
Total assets less current liabilities		111,029	117,351

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Non-current liabilities			
Deferred tax liabilities		1,175	941
Convertible bonds	17	110,868	105,651
Lease liabilities	18	6,429	—
Total non-current liabilities		118,472	106,592
Net (liabilities)/assets		(7,443)	10,759
EQUITY			
Share capital	20	2,040	2,040
Reserves		(77,207)	(60,351)
Equity attributable to owners of the Company		(75,167)	(58,311)
Non-controlling interests		67,724	69,070
Total (deficiency)/equity		(7,443)	10,759

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company											
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Equity component of convertible bonds			Share option reserve (Unaudited) HK\$'000	Capital reduction reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
				of convertible	Share	option						
				reserves	reserve	reserve						
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) 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	—	—	—	—	—	—	—	(18,575)	(18,575)	(2,113)	(20,688)	
Other comprehensive loss	—	—	—	—	—	—	(1,741)	(47)	(1,788)	(1,187)	(2,975)	
Total comprehensive gain/(loss)	—	—	—	—	—	—	(1,741)	(18,622)	(20,363)	(3,300)	(23,663)	
As at 30 June 2018	2,040	957,059	66,710	53,115	27,328	163,191	(5,283)	(1,244,409)	19,751	97,746	117,497	
As at 31 December 2018 and 1 January 2019, as original 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 HKFRS 16	—	—	—	—	—	—	—	(68)	(68)	(4)	(72)	
As at 31 December 2018 and 1 January 2019, as 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	—	—	—	—	—	—	—	(16,769)	(16,769)	(1,178)	(17,947)	
Other comprehensive gain	—	—	—	—	—	—	(16)	(3)	(19)	(49)	(68)	
Total comprehensive gain/(loss)	—	—	—	—	—	—	(16)	(16,772)	(16,788)	(1,227)	(18,015)	
Lapse of share options	—	—	—	—	(2,324)	—	—	2,324	—	—	—	
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	(115)	(115)	
As at 30 June 2019	2,040	957,059	66,710	53,115	25,004	163,191	(9,199)	(1,333,087)	(75,167)	67,724	(7,443)	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2019*

	Note	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Net cash flows generated from/(used in) operating activities		353,243	(26,821)
Net cash flows generated from/(used in) investing activities		2,432	923
Net cash flows (used in)/generated from financing activities		(350,766)	8
Net increase/(decrease) in cash and cash equivalents		4,909	(25,890)
Bank balances and cash — general accounts at the beginning of the period		12,255	36,490
Effect of foreign exchange rate changes, net		(468)	508
Bank balances and cash — general accounts at the end of the period		16,696	11,108
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash — general accounts	16	16,696	11,108

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim results have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by Hong Kong Institute of Certified Public Accountants.

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

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

The unaudited condensed consolidated interim 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 was 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.

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.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

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

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

Condensed Consolidated Statement of Profit or Loss

	As per HKFRS 16	As per HKAS 17	Impact due to change
	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)
Administrative expenses for the period ended 30 June 2019	(20,801)	(20,989)	188
Finance costs for the period ended 30 June 2019	(6,312)	(6,021)	(291)
Loss for the period ended 30 June 2019	(17,947)	(17,844)	(103)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

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

(a) Reporting segments

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, money lending services, securities brokerage and asset management business services; and
- (d) Information technology business segment is engaged in distributorship of information technology products and the provision of relevant technical support services.

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

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

2. SEGMENT REPORTING (Continued)

(a) Reporting segments (Continued)

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.

(b) Segment revenue and results

For the six months ended 30 June 2019

	Corporate consulting business (Unaudited) HK\$'000	Trading business (Unaudited) HK\$'000	Financial services business (Unaudited) HK\$'000	Information technology business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:					
Revenue from external customers	4,561	239,920	2,238	—	246,719
Segment profit/(loss)	2,942	(2,467)	350	(2,210)	(1,385)
Finance costs					(5,969)
Gain on the disposal of a subsidiary					173
Unallocated corporate income and expenses, net					(11,831)
Loss before taxation					(19,012)

For the six months ended 30 June 2018

	Trading business (Unaudited) HK\$'000	Financial services business (Unaudited) HK\$'000	Information technology business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:				
Revenue from external customers	235,021	50,982	441	286,444
Segment profit/(loss)	(1,722)	(7,294)	(195)	(9,211)
Finance costs				(6,329)
Unallocated corporate income and expenses, net				(5,148)
Loss before taxation				(20,688)

2. SEGMENT REPORTING (Continued)

(c) Segment assets and liabilities

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Segment assets		
Corporate consulting business	17,983	—
Trading business	10,903	12,597
Financial services business	1,128,369	673,685
Information technology business	1,144	1,336
Total segment assets	1,158,399	687,618
Unallocated bank balances and cash	261	262
Other assets	13,922	9,668
Consolidated total assets	1,172,582	697,548
Segment liabilities		
Corporate consulting business	6,813	—
Trading business	6,833	6,300
Financial services business	954,508	496,849
Information technology business	1,296	1,827
Total segment liabilities	969,450	504,976
Convertible bonds	110,868	105,651
Promissory notes	7,557	—
Other liabilities	92,150	76,162
Consolidated total liabilities	1,180,025	686,789

2. SEGMENT REPORTING (Continued)

(d) Geographical information

(i) Revenue from external customers

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Hong Kong (place of domicile)	244,995	235,834
People Republic of China ("PRC")	1,724	50,610
	246,719	286,444

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

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

	As at	
	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Hong Kong (place of domicile)	1,929	1,969
PRC	539	713
	2,468	2,682

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

(e) Major customers

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

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Customer A — revenue from trading business — Hong Kong	210,850	211,990
	210,850	211,990

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 six months period under review.

An analysis of revenue is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue from:				
Corporate consulting business	2,509	—	4,561	—
Trading business	125,165	127,427	239,920	235,021
Financial services business	1,465	21,643	2,238	50,982
Information technology business	—	334	—	441
	129,139	149,404	246,719	286,444

4. GAIN ON THE DISPOSAL OF A SUBSIDIARY

On 1 April 2019, End User Investments Limited, a direct wholly-owned subsidiary of the Company, as vendor entered into a sale and purchase agreement with Mr. Cheung Wai Yin, Wilson ("Mr. Wilson Cheung"), a Director of the Company, as purchaser to dispose of the entire issued share capital of Merdeka Resources International Limited ("MRI") and the sale loan in cash at a total consideration of HK\$1. The completion of the disposal took place on 1 April 2019. MRI ceased to be the subsidiary of the Company. The gain on disposal amounted to HK\$173,000 has been recognized in the consolidated statement of profit or loss for the six months ended 30 June 2019.

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Imputed interest on convertible bonds (note 1)	2,640	2,398	5,217	4,738
Imputed interest on promissory notes	175	327	232	1,272
Coupon interest on promissory notes	40	—	53	—
Interest on bank borrowings	1,378	22,198	1,993	47,102
Interest on other borrowings	190	173	325	296
Interest on lease liabilities	154	—	291	—
Interest on finance lease obligation (note 2)	—	12	—	23
	4,577	25,108	8,111	53,431
Less: interest on bank borrowings included in cost of sales for financial services business	(1,283)	(22,106)	(1,799)	(46,918)
	3,294	3,002	6,312	6,513

Notes:

- (1) The interest 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. LOSS BEFORE TAXATION

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

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Depreciation expenses in respect of:				
Right-of-use assets	1,338	—	2,418	—
Property, plant and equipment	319	436	557	1,409
Amortisation of intangible assets	94	—	94	—
Staff costs (including directors' emoluments)	3,129	3,073	6,890	7,036

7. INCOME TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Hong Kong profits tax:				
— current	—	—	—	—
PRC enterprise income tax:				
— current	—	—	—	—
— (over) under provision in prior years	6	1,135	(1,065)	—
	6	1,135	(1,065)	—

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

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

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

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

8. DIVIDEND

No interim dividend has been paid or declared by the Company during the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the three months and six months ended 30 June 2019 and the weighted average number of ordinary shares for the purpose of calculating loss per share.

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

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Loss				
Loss attributable to owners of the Company	(7,800)	(8,152)	(16,769)	(18,575)

Number of shares (thousands)

Shares				
Weighted average number of ordinary shares in issue during the year	2,040,094	2,040,094	2,040,094	2,040,094
Effect of the convertible bond issued in 2015	173,913	173,913	173,913	173,913
Weighted average number of ordinary shares for the purpose of calculating loss per share	2,214,007	2,214,007	2,214,007	2,214,007

No diluted loss per share information presented for the three months and six months ended 30 June 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.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group spent approximately HK\$0.3 million in additions of computers and office equipment (year ended 31 December 2018: HK\$2.2 million).

11. GOODWILL

	HK\$'000
COST:	
At 1 January 2018, 31 December 2018 and 1 January 2019 (audited)	5,803
Acquisition through business combination (<i>note 23</i>)	5,285
At 30 June 2019 (unaudited)	11,088
ACCUMULATED IMPAIRMENT LOSSES:	
At 1 January 2018 (audited)	—
Impairment loss for the year	5,803
At 31 December 2018 and 1 January 2019 (audited)	—
Impairment loss for the period	—
At 30 June 2019 (unaudited)	5,803
NET CARRYING AMOUNT:	
At 30 June 2019 (unaudited)	5,285
At 31 December 2018 (audited)	—

12. INTANGIBLE ASSETS

	Trading right HK\$'000	Customer relationship HK\$'000	Total HK\$'000
COST:			
At 1 January 2018, 31 December 2018 and 1 January 2019	5,705	—	5,705
Acquired through acquisition of subsidiary (<i>Note 23</i>)	—	1,419	1,419
At 30 June 2019 (unaudited)	5,705	1,419	7,124
ACCUMULATED AMORTISATION:			
At 1 January 2018, 31 December 2018 and 1 January 2019 (audited)	—	—	—
Amortisation for the period	—	(94)	(94)
At 30 June 2019 (unaudited)	—	(94)	(94)
NET CARRYING AMOUNT			
At 30 June 2019 (unaudited)	5,705	1,325	7,030
At 31 December 2018 (audited)	5,705	—	5,705

Trading right have indefinite useful life and therefore no amortisation has been provided. No impairment was provided during the six months ended 30 June 2019 and year ended 31 December 2018.

For the six months ended 30 June 2019, the Group acquired the following intangible assets through the acquisition of subsidiaries. Details of the acquisition of subsidiaries are set out in note 23. There was no addition of intangible assets for the six months ended 30 June 2019 and year ended 31 December 2018.

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

13. RIGHT-OF-USE ASSETS

	HK\$'000
COST:	
At 1 January 2019	—
Recognition upon initial application of HKFRS 16	9,708
Acquired through business combination (<i>note 23</i>)	3,770
At 30 June 2019 (unaudited)	13,478
ACCUMULATED DEPRECIATION:	
At 1 January 2019	—
Recognition upon initial application of HKFRS 16	68
Provided for the period	2,350
Exchange realignment	(3)
At 30 June 2019 (unaudited)	2,415
NET CARRYING AMOUNT:	
At 30 June 2019 (unaudited)	11,063

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.

14. TRADE RECEIVABLES

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

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Within 30 days	798,119	283
31 to 60 days	277	24
61 to 120 days	244	24
Over 120 days	1,797	2,129
	800,437	2,460

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

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Not impaired	800,437	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.

15. FINANCE LEASE RECEIVABLES

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Current finance lease receivables	204,677	547,941
Non-current finance lease receivables	3,630	5,283
	208,307	553,224

Amount receivable under finance leases

	Minimum lease payment		Present value of minimum lease payment	
	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Within one year	221,625	565,846	204,677	547,941
In more than one year but not more than two years	4,537	4,554	3,630	3,388
In more than two years but not more than five years	—	2,281	—	1,895
	226,162	572,681	208,307	553,224
Unearned finance income	(17,855)	(19,457)	N/A	N/A
Present value of minimum lease payment	208,307	553,224	208,307	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 4.37% to 9.40% per annum as at 30 June 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 30 June 2019 and 31 December 2018 are neither past due nor impaired.

As at 30 June 2019, the term of finance leases entered into ranged from 3 to 5 years (31 December 2018: 1 to 5 years).

16. BANK BALANCES AND CASH

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Bank balances — trust accounts (<i>note</i>)	7,166	6,543
Bank balances and cash — general accounts	16,696	12,255
	23,862	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 30 June 2019, the Group's bank balances and cash — general accounts amounted to approximately HK\$16.7 million (31 December 2018: approximately HK\$12.3 million), approximately HK\$2.0 million was denominated in RMB and approximately HK\$14.7 million was denominated in Hong Kong dollars (31 December 2018: approximately HK\$1.0 million and approximately HK\$11.2 million respectively). Therein, approximately HK\$14.1 million, (31 December 2018: approximately HK\$10.8 million) were bank balances deposited with credit worthy banks of high credit ratings in Hong Kong, in which, approximately HK\$13.3 million (31 December 2018: approximately 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\$4.0 million (31 December 2018: approximately HK\$4.0 million) to secure a general banking facility (*note* 19).

17. CONVERTIBLE BONDS

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

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
At beginning of the period/year	105,651	95,940
Interest charged	5,217	9,711
At end of the period/year	110,868	105,651

18. LEASE LIABILITIES

	As at 30 June 2019 (unaudited) HK\$'000
Minimum lease payments due	
— Within one year	5,260
— In the second to fifth years, inclusive	6,659
	11,919
Less: future finance charges	(649)
Present value of lease liabilities	11,270

	As at 30 June 2019 (unaudited) HK\$'000
Within one year	4,841
In the second to fifth years, inclusive	6,429
	11,270

19. BANK BORROWINGS

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Secured bank borrowings		
— due within one year (<i>note</i>)	72,444	415,788
	72,444	415,788

Note:

Bank borrowings obtained in the PRC were secured by the finance lease assets held by the lessee with the carrying value of approximately RMB60.0 million (equivalent to approximately HK\$68.2 million) as at 30 June 2019 (31 December 2018: approximately RMB554.1 million, equivalent to approximately HK\$630.8 million). The interest rate of the bank borrowings were 4.0% per annum as at 30 June 2019 and 31 December 2018.

Included therein, a general banking facility amounted to HK\$7.0 million (31 December 2018: HK\$7.0 million) was secured by a time deposit of approximately HK\$4.0 million (31 December 2018: HK\$4.0 million). The facility was utilised to the extent of approximately HK\$4.2 million as at 30 June 2019 (31 December 2018: approximately 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.

20. SHARE CAPITAL

	Company Number of shares in '000	Nominal values HK\$'000
Authorised:		
As at 1 January 2018, 31 December 2018, 1 January and 30 June 2019		
Ordinary shares of HK\$0.001 each	200,000,000	200,000
Issued and fully paid:		
As at 31 December 2018, 1 January and 30 June 2019		
Ordinary shares of HK\$0.001 each	2,040,094	2,040

21. TRADE PAYABLES

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Trade payables from trading business	1,189	1,285
Trade payables from information technology business	10	1,310
Trade payables from financial services business	3,874	4,503
Amounts payable arising from the business of dealing in securities		
— Cash clients	405,975	6,554
— HKSCC	398,473	—
	809,521	13,652

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

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Within 30 days	3,914	4,490
31 to 60 days	61	22
61 to 120 days	20	202
Over 120 days	1,078	2,384
	5,073	7,098

22. PROMISSORY NOTES

On 28 February 2019, The Company issued a promissory note with principal amounts of HK\$8.0 million (2019 PN) as a consideration for the acquisition of VCSL Group (as defined in note 23). 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:

	As at 30 June 2019 (unaudited) HK\$'000	As at 31 December 2018 (audited) HK\$'000
At beginning of the period/year	—	27,622
Issuance upon acquisition of VCSL Group (as defined in note 23) on 28 February 2019 (“ 2019 PN ”)	7,272	—
Coupon interest charged	53	—
Imputed interest charged	232	1,272
Transfer to other payables upon maturity	—	(28,894)
At end of the period/year	7,557	—

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\$7.6 million.

23. 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.

23. 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:

	Fair value HK\$'000 (unaudited)
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)
Fair value of net assets acquired	1,987
	HK\$'000 (unaudited)
Total consideration satisfied by promissory notes issued at fair value (<i>note 22</i>)	7,272
Less: Fair value of net assets acquired	1,987
Goodwill (<i>note 11</i>)	5,285
Cash consideration paid	—
Bank balances and cash in subsidiaries acquired	2,654
Net cash inflow from acquisition of subsidiaries	2,654

24. RELATED PARTY TRANSACTIONS

Save as disclosed, the Group have the following related party transactions.

Name of related parties	Relationship	Nature of transaction	Three months ended 30 June		Six months ended 30 June	
			2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
			HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Wilson Cheung	Director of the Company	Loan payable	406	—	12,560	—
Mr. Wong Hin Shek	Shareholder of the Company	Loan interest payable	190	—	382	—
		Loan payable	5,000	—	18,030	—

Total compensation paid to key management personnel during the Period amounted to approximately HK\$1,788,000 (six months ended 30 June 2018: approximately HK\$2,967,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2019, the Group recorded a revenue of approximately HK\$246.7 million (six months ended 30 June 2018: approximately HK\$286.4 million). Loss for the period attributable to owners of the Company was approximately HK\$16.8 million (six months ended 30 June 2018: approximately HK\$18.6 million). Basic and diluted loss per share was approximately HK\$0.008 (six months ended 30 June 2018: approximately HK\$0.008). 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 turnover.

BUSINESS REVIEW

Corporate consulting business

Upon the completion of the acquisition of VCSL Group on 28 February 2019, the Group has been diversifying its business into corporate consulting services including company secretarial services, accounting and financial reporting services and management consulting services. The revenue and the segment profit for the six months ended 30 June 2019 was approximately HK\$4.6 million and HK\$2.9 million respectively.

Trading business

The revenue for the six months ended 30 June 2019 of the trading business was approximately HK\$239.9 million (six months ended 30 June 2018: approximately HK\$235.0 million) and a segment loss of approximately HK\$2.5 million (six months ended 30 June 2018: approximately HK\$1.7 million). Trading business continuous to be the core business of the Group which contributed approximately 97.2% of the Group's revenue for the six months ended 30 June 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 revenue generated from the trading business was comparatively stable. However, due to fierce competition, the gross profit margin was 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 Period of the financial services business was approximately HK\$2.2 million (six months ended 30 June 2018: approximately HK\$51.0 million) and a segment profit of approximately HK\$0.4 million (segment loss for six months ended 30 June 2018: approximately HK\$7.3 million).

BUSINESS REVIEW (Continued)

Financial services business (Continued)

As at 30 June 2019, 恒河融資租賃（上海）有限公司 (Heng He Finance Lease (Shanghai) Company Limited*) 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 Amount (RMB'000)	Date	Tenor	Interest rate 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 six months ended 30 June 2019 of the information technology business was nil (six months ended 30 June 2018: approximately HK\$0.4 million) and a segment loss of approximately HK\$2.2 million (six months ended 30 June 2018: approximately HK\$0.2 million) which was mainly contributed by 綿陽恒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 Group grasped the opportunity in the development of the corporate governance and compliance industry by completion of the acquisition of the corporate consulting business in February 2019, which will further enhance the revenue stream of Group in the foreseeable future.

Trading business

The Group continue to strive for increasing 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 30 June 2019, the Company had outstanding 2008 CB and 2015 CB of aggregate principal amounts of approximately HK\$124.1 million and HK\$40 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, 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 Judgment, 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 Judgment 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.

On 20 May 2019, the Court ordered that the Petition made by Mr. Au Kai To Karel (the "**Petitioner**") under HCCW 343 of 2017 to wind up the Company be dismissed with costs payable by the Petitioner to the Company.

INTERIM DIVIDEND

The Board resolved not to recommend the payment of interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 30 June 2019, the Group recorded cash and bank balances (including trust accounts) amounting to approximately HK\$23.9 million (31 December 2018: approximately HK\$18.8 million) and the net current assets value was approximately HK\$81.0 million (31 December 2018: approximately HK\$103.2 million).

The Group's gearing ratio as at 30 June 2019 was approximately 1.65 (31 December 2018: approximately 1.13), being a ratio of total interest-bearing debts, including bank borrowings, convertible bonds and promissory notes of approximately HK\$190.9 million (31 December 2018: approximately HK\$521.4 million) to the total equity attributable to owners of the Company plus total interest-bearing debts of approximately HK\$115.7 million (31 December 2018: approximately HK\$463.1 million).

FINANCIAL ASSISTANCES RECEIVED BY THE COMPANY

During the period for the six months ended 30 June 2019, Mr. Wilson Cheung, the executive Director, advanced fund of approximately HK\$12.6 million (31 December 2018: HK\$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 30 June 2019, the outstanding principal amount was approximately HK\$18.0 million (31 December 2018: approximately HK\$8.9 million).

As Mr. Wilson 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 30 June 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

During the period for the six months ended 30 June 2019, 20,023,532 share options lapsed.

Save as disclosed above, the Company had no other changes in capital structure during the period for the six months ended 30 June 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, 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. The completion of the Acquisition took place on 28 February 2019. VCSL became an indirectly wholly-owned subsidiary of the Company and the financial results of the VCSL Group were consolidated into the consolidated financial statements of the Company. Details of the Acquisition are set out in the Company's announcements dated 18 February 2019 and 28 February 2019.

INVESTMENT POSITION AND PLANNING (Continued)

Disposal of 100% interest in MRI

On 1 April 2019, End User Investments Limited, a direct wholly-owned subsidiary of the Company, as vendor entered into a sale and purchase agreement with Mr. Wilson Cheung, a Director of the Company, as purchaser to dispose of the entire issued share capital of MRI and the sale loan in cash at a total consideration of HK\$1. The completion of the disposal took place on 1 April 2019. MRI ceased to be the subsidiary of the Company. The disposal was classified as fully exempted connected transaction under Chapter 20 of the GEM Listing Rules.

CONTINGENT LIABILITIES

As at 30 June 2019, save for the litigation, the Group had no other significant contingent liabilities (31 December 2018: Nil).

CAPITAL COMMITMENTS

As at 30 June 2019, the Group had no significant capital commitments (31 December 2018: Nil).

FOREIGN CURRENCY RISK

The Group's reporting currency is Hong Kong dollar. During the six months ended 30 June 2019, most of the Group's transactions were denominated in Hong Kong dollars ("HK\$") and Renminbi ("RMB"). The Group had exposure to the risk of exchange rate fluctuations for RMB on account of its cost of financial leasing and information technology operations in the PRC. The Group did not formally employ any hedging instruments or derivative products considering the relevant costs and benefits. However, the Group will continue to monitor closely the exchange rate risk.

EVENTS AFTER REPORTING PERIOD

Completion of placing of new shares under general mandate

On 6 August 2019, the completion of placing of new shares under general mandate took place. 408,000,000 placing shares have been placed by the placing agent at the placing price of HK\$0.016 to not less than six places. The net proceeds from the placing amounted to approximately HK\$6.26 million and will be utilized as to (i) approximately HK\$3.1 million as to salary, Director's fee and mandatory provident fund schemes; (ii) approximately HK\$1.5 million as to rent and rates; and (iii) approximately HK\$1.66 million as to maintain and expand in financial services business. Details of the transaction are set out in the announcements of the Company dated 12 July and 25 July 2019.

Proposed share consolidation

The Board proposes to implement the share consolidation on the basis that every ten (10) issued and unissued Shares of par value of HK\$0.001 each in the share capital of the Company will be consolidated into one (1) consolidated Share of par value of HK\$0.01 each. Details of the transaction are set out in the announcement of the Company dated 17 July 2019 and the circular of the Company dated 29 July 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group employed 43 staff (2017: 35). The Group's remuneration policy is based on principle of equality, motivating, performance-oriented and market-competitiveness. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits included provident fund contributions, medical insurance coverage and performance related bonuses. A share option scheme is also established to reward and motivate the employees of the Group.

CONNECTED TRANSACTIONS

Save as disclosed, the Company did not have any other connected transactions which were subject to the reporting requirements under Chapter 20 of the GEM Listing Rules for the six months ended 30 June 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 for the six months ended 30 June 2019 were as follows:

Name	Number of share options				Outstanding as at 30 June 2019	Date of grant of the share options	Exercise period of the share options	Price of the shares before the date of grant (Note 2) per share	Exercise price of the share options (Note 1) per share
	Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period					
Executive Directors									
Mr. Wilson Cheung	100,000,000	—	—	—	100,000,000	19/8/2015	19/8/2015 – 18/8/2025	0.147	0.147
Mr. Lau Chi Yan, Pierre ("Mr. Lau") (Note 3)	20,000,000	—	—	—	20,000,000	19/8/2015	19/8/2015 – 18/8/2025	0.147	0.147
Independent non-executive Directors									
Ms. 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
Mr. Ng Kay Kwok ("Mr. Ng") (Note 4)	1,000,000	—	—	—	1,000,000	19/8/2015	19/8/2015 – 18/8/2025	0.147	0.147
Employees and other eligible participants									
Employees	28,241	—	—	(23,532)	4,709	30/5/2012	30/5/2012 – 29/5/2022	0.017	3.600
	40,000,000	—	—	(20,000,000)	20,000,000	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>(20,023,532)</u>	<u>213,367,323</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, or other similar changes in the Company's share capital.
- The price of the Shares 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. Lau resigned as an executive Director with effect from 31 May 2019.
- Mr. Ng resigned as an independent non-executive Director with effect from 1 April 2019.

During the period for the six months ended 30 June 2019, no share options were granted by the Company.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 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 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:

(i) *Long positions in the Shares*

Name of Director	Personal	Total	Approximate percentage of the total issued share capital of the Company (%)
Mr. Wilson Cheung	557,811	557,811	0.03%

(ii) *Long positions in the underlying shares of the share options granted under the Share Option Scheme:*

Name of Directors	Date of grant of the share options	Exercise period of the share options	Exercise price per share HK\$	Number of the share options outstanding	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company (%)
Mr. Wilson Cheung	19/8/2015	19/8/2015 - 18/8/2025	0.147	100,000,000	100,000,000	4.901%
Ms. 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%

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

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

Name of Director	Principal amount of the convertible bonds HK\$	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company (%)
Mr. Wilson Cheung	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 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. Wilson Cheung and the discretionary objects of which are family members of Mr. Wilson Cheung (including Mr. Wilson Cheung himself).

Save as disclosed above, as at 30 June 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 six months ended 30 June 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 30 June 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:*

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
Mr. 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.

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

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

Name of the holder of the convertible bonds	Nature of Interest	Principal amount of the convertible bonds 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
Mr. Cheng Jun (Note 2)	Controlled corporation	40,000,000	173,913,043	8.52
Mr. Gao Yun Feng (Note 2)	Controlled corporation	40,000,000	173,913,043	8.52

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 Asiitrust 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. Wilson Cheung and the discretionary objects of which are family members of Mr. Wilson Cheung (including Mr. Wilson 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 30 June 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 six months ended 30 June 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 for the six months ended 30 June 2019.

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (Continued)

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. Wilson Cheung 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. Wilson 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 30 June 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.

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.

The Audit Committee currently comprises three independent non-executive Directors, namely Ms. Yeung Mo Sheung, Ann, Mr. Au-yeung Sei Kwok and Ms. Ng Ka Sim, Casina, one of whom is a qualified accountant and has extensive experience in accounting and financial matters.

The Audit Committee has reviewed with the senior management of the Company the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2019, and was of the opinion that such results has complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements and that adequate disclosures had been made.

By order of the Board

MERDEKA FINANCIAL SERVICES GROUP LIMITED

Cheung Wai Yin, Wilson

Chairman and Chief Executive Officer

Hong Kong, 12 August 2019

As at the date of this report, Mr. Cheung Wai Yin, Wilson (Chairman and Chief Executive Officer) and Ms. Tsang Kwai Ping are executive Directors; Ms. Yeung Mo Sheung, Ann, Mr. Au-yeung Sei Kwok and Ms. Ng Ka Sim, Casina are independent non-executive Directors.

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