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MERDEKA FINANCIAL GROUP LIMITED

領智金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8163)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

CHARACTERISTICS OF THE GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Director(s)**”) of Merdeka Financial 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, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the “**Board**”) of Directors is pleased to announce that the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months and the six months ended 30 June 2020, together with the comparative unaudited figures for the corresponding periods in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 June 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
REVENUE	2	10,252	129,139	24,219	246,719
Cost of sales		<u>(1,317)</u>	<u>(125,712)</u>	<u>(7,989)</u>	<u>(240,138)</u>
Gross profit		8,935	3,427	16,230	6,581
Other income and gains or losses	3	(918)	787	8,399	1,135
Impairment loss on finance lease receivables	16	(78,049)	—	(78,049)	—
Gain on disposal of a subsidiary	4	—	173	—	173
Gain on deregistration of subsidiaries	5	1,057	1,210	1,057	1,210
Operating and administrative expenses		(10,234)	(10,347)	(17,674)	(21,799)
Finance costs	6	<u>(4,398)</u>	<u>(3,294)</u>	<u>(7,957)</u>	<u>(6,312)</u>
LOSS BEFORE TAXATION	7	(83,607)	(8,044)	(77,994)	(19,012)
Income tax	8	<u>(702)</u>	<u>(6)</u>	<u>(1,292)</u>	<u>1,065</u>
LOSS FOR THE PERIOD		<u>(84,309)</u>	<u>(8,050)</u>	<u>(79,286)</u>	<u>(17,947)</u>
Loss for the period attributable to:					
Owners of the Company		(56,780)	(7,800)	(54,817)	(16,769)
Non-controlling interests		<u>(27,529)</u>	<u>(250)</u>	<u>(24,469)</u>	<u>(1,178)</u>
		<u>(84,309)</u>	<u>(8,050)</u>	<u>(79,286)</u>	<u>(17,947)</u>
		HK\$	HK\$	HK\$	HK\$
LOSS PER SHARE					
Basic and diluted	10	<u>(0.16)</u>	<u>(0.04)*</u>	<u>(0.17)</u>	<u>(0.08)*</u>

* Adjusted for the effect of share consolidation on 19 August 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 June 2020

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LOSS FOR THE PERIOD	(84,309)	(8,050)	(79,286)	(17,947)
Other comprehensive income:				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operation	<u>584</u>	<u>(4,502)</u>	<u>(2,980)</u>	<u>(68)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>(83,725)</u>	<u>(12,552)</u>	<u>(82,266)</u>	<u>(18,015)</u>
Total comprehensive income attributable to:				
Owners of the Company	<u>(56,357)</u>	(10,419)	<u>(56,557)</u>	(16,788)
Non-controlling interests	<u>(27,368)</u>	<u>(2,133)</u>	<u>(25,709)</u>	<u>(1,227)</u>
	<u>(83,725)</u>	<u>(12,552)</u>	<u>(82,266)</u>	<u>(18,015)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2020 (Unaudited) <i>HK\$'000</i>	As at 31 December 2019 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	1,361	1,891
Statutory deposit		510	510
Goodwill	12	5,470	5,470
Intangible assets	13	5,336	5,450
Right-of-use assets	14	6,220	8,706
Financial assets at fair value through other comprehensive income		2,032	2,032
Total non-current assets		20,929	24,059
Current assets			
Inventories		783	485
Trade receivables	15	12,694	29,888
Prepayments, deposits and other receivables		13,951	14,479
Finance lease receivables	16	—	81,071
Bank balances — trust accounts	17	6,530	31,651
Bank balances and cash — general accounts	17	83,995	15,454
Total current assets		117,953	173,028
Current liabilities			
Borrowings	18	913	4,884
Lease liabilities	19	4,859	5,003
Convertible bonds	20	—	116,344
Promissory notes	21	—	8,005
Trade payables	22	16,653	60,183
Other payables and accruals		80,367	106,721
Tax payables		1,858	341
Total current liabilities		104,650	301,481
Net current assets/(liabilities)		13,303	(128,453)
Total assets less current liabilities		34,232	(104,394)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

		As at 30 June 2020 (Unaudited) <i>HK\$'000</i>	As at 31 December 2019 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current liabilities			
Deferred tax liabilities		878	1,128
Lease liabilities	19	1,504	3,842
Convertible bonds	20	68,606	—
		<hr/>	<hr/>
Total non-current liabilities		70,988	4,970
		<hr/>	<hr/>
Net liabilities		(36,756)	(109,364)
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Share capital	23	13,110	2,622
Reserves		(58,896)	(146,725)
		<hr/>	<hr/>
Equity attributable to owners of the Company		(45,786)	(144,103)
Non-controlling interests		9,030	34,739
		<hr/>	<hr/>
Total deficiency		(36,756)	(109,364)
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company												
	Issued capital (Unaudited) HK\$'000	Share premium* (Unaudited) HK\$'000	Contributed surplus* (Unaudited) HK\$'000	Equity component of convertible bonds* (Unaudited) HK\$'000	Share option reserve* (Unaudited) HK\$'000	Capital reduction reserve* (Unaudited) HK\$'000	Exchange fluctuation reserve* (Unaudited) HK\$'000	Fair value through other comprehensive income reserve* (Unaudited) HK\$'000	Other reserve* (Unaudited) HK\$'000	Accumulated losses* (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
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
Comprehensive income													
Loss for the period	—	—	—	—	—	—	—	—	—	(16,769)	(16,769)	(1,178)	(17,947)
Other comprehensive income													
Exchange difference arising on translation of foreign operation	—	—	—	—	—	—	(16)	—	—	(3)	(19)	(49)	(68)
Total comprehensive income	—	—	—	—	—	—	(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	<u>2,040</u>	<u>957,059</u>	<u>66,710</u>	<u>53,115</u>	<u>25,004</u>	<u>163,191</u>	<u>(9,199)</u>	<u>—</u>	<u>—</u>	<u>(1,333,087)</u>	<u>(75,167)</u>	<u>67,724</u>	<u>(7,443)</u>
As at 31 December 2019 and 1 January 2020	<u>2,622</u>	<u>993,392</u>	<u>66,710</u>	<u>22,728</u>	<u>25,004</u>	<u>163,191</u>	<u>(10,997)</u>	<u>32</u>	<u>(6,548)</u>	<u>(1,400,237)</u>	<u>(144,103)</u>	<u>34,739</u>	<u>(109,364)</u>
Comprehensive income													
Loss for the period	—	—	—	—	—	—	—	—	—	(54,817)	(54,817)	(24,469)	(79,286)
Other comprehensive income													
Exchange difference arising on translation of foreign operation	—	—	—	—	—	—	(1,740)	—	—	—	(1,740)	(1,240)	(2,980)
Total comprehensive income	—	—	—	—	—	—	(1,740)	—	—	(54,817)	(56,557)	(25,709)	(82,266)
Issuance of shares (note 23)	10,488	104,880	—	—	—	—	—	—	—	—	115,368	—	115,368
Transaction cost for rights issue (note 23)	—	(1,552)	—	—	—	—	—	—	—	—	(1,552)	—	(1,552)
Redemption of convertible bonds	—	—	—	(28,596)	—	—	—	—	—	10,030	(18,566)	—	(18,566)
Issuance of convertible bonds	—	—	—	16,016	—	—	—	—	—	—	16,016	—	16,016
Modification of the terms of convertible bonds	—	—	—	41,780	—	—	—	—	—	1,828	43,608	—	43,608
As at 30 June 2020	<u>13,110</u>	<u>1,096,720</u>	<u>66,710</u>	<u>51,928</u>	<u>25,004</u>	<u>163,191</u>	<u>(12,737)</u>	<u>32</u>	<u>(6,548)</u>	<u>(1,443,196)</u>	<u>(45,786)</u>	<u>9,030</u>	<u>(36,756)</u>

* These reserve accounts comprised the reserve balance as presented in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Net cash flows generated from operating activities		16,307	353,243
Net cash flows generated from investing activities		95	2,432
Net cash flows generated from/(used in) financing activities		<u>52,137</u>	<u>(350,766)</u>
Net increase in cash and cash equivalents		68,539	4,909
Bank balances and cash — general accounts at the beginning of the period		15,454	12,255
Effect of foreign exchange rate changes, net		<u>2</u>	<u>(468)</u>
Bank balances and cash — general accounts at the end of the period		<u>83,995</u>	<u>16,696</u>
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash — general accounts	17	<u>83,995</u>	<u>16,696</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

The unaudited condensed consolidated interim 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 interim results should be read in conjunction with the Group’s audited annual financial statements for the year ended 31 December 2019 (the “2019 Annual Report”). The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the 2019 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 2020. The adoption of such standards, amendments and interpretations does not have any material financial effect on this interim results.

2. REVENUE AND SEGMENT REPORTING

2.1 Revenue represents the amounts received and receivable for goods sold to outside customers, net of returns and discounts, income from financial services operations and income from corporate consulting operations during the six months and three months ended.

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Financial services business	6,845	1,465	11,690	2,238
Corporate consulting business	1,850	2,509	3,618	4,561
Trading business	1,557	125,165	8,911	239,920
	<u>10,252</u>	<u>129,139</u>	<u>24,219</u>	<u>246,719</u>

2. REVENUE AND SEGMENT REPORTING *(Continued)*

2.2 Segment reporting

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The chief operating decision-maker has been identified as the Company's executive directors.

The Group currently has four reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies as follows:

- (a) The financial services business includes the securities brokerage business, provision of corporate finance advisory services, asset management business, money lending business and financial leasing business;
- (b) Corporate consulting business segment is engaged in the provision of company secretarial services, accounting and financial reporting services and management consulting services;
- (c) The trading business segment is engaged in the trading of goods, components and accessories; and
- (d) The information technology business segment is engaged in distributorship of information technology products and the provision of relevant technical support services.

2. REVENUE AND SEGMENT REPORTING (Continued)

2.2 Segment reporting (Continued)

(b) Segment revenue and results

For the six months ended 30 June 2020

	Financial services business (Unaudited) HK\$'000	Corporate consulting business (Unaudited) HK\$'000	Trading business (Unaudited) HK\$'000	Information technology business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue	<u>11,690</u>	<u>3,618</u>	<u>8,911</u>	<u>—</u>	<u>24,219</u>
Segment profit/(loss)	<u>6,536</u>	<u>928</u>	<u>(211)</u>	<u>(6)</u>	<u>7,247</u>
Finance costs					(7,744)
Gain on deregistration of subsidiaries					1,057
Reversal of impairment loss recognised on other receivables					8,950
Impairment loss on finance lease receivables					(78,049)
Unallocated corporate expenses					<u>(9,455)</u>
Loss before taxation					<u>(77,994)</u>

For the six months ended 30 June 2019

	Financial services business (Unaudited) HK\$'000	Corporate consulting business (Unaudited) HK\$'000	Trading business (Unaudited) HK\$'000	Information technology business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue	<u>2,238</u>	<u>4,561</u>	<u>239,920</u>	<u>—</u>	<u>246,719</u>
Segment profit/(loss)	<u>350</u>	<u>2,942</u>	<u>(2,467)</u>	<u>(808)</u>	<u>17</u>
Finance costs					(5,969)
Gain on disposal of a subsidiary					173
Gain on deregistration of a subsidiary					1,210
Unallocated corporate expenses					<u>(14,443)</u>
Loss before taxation					<u>(19,012)</u>

2. REVENUE AND SEGMENT REPORTING (Continued)

2.2 Segment reporting (Continued)

(c) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Segment assets		
Financial services business	47,380	159,790
Corporate consulting business	11,943	11,633
Trading business	7,747	12,163
	<hr/>	<hr/>
Total segment assets	67,070	183,586
Unallocated bank balances and cash	59,065	119
Unallocated corporate assets	12,747	13,382
	<hr/>	<hr/>
Consolidated total assets	138,882	197,087
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Financial services business	24,751	65,901
Corporate consulting business	2,861	3,442
Trading business	4,194	8,398
Information technology business	19	765
	<hr/>	<hr/>
Total segment liabilities	31,825	78,506
Convertible bonds	68,606	116,344
Promissory notes	—	8,005
Unallocated corporate liabilities	75,207	103,596
	<hr/>	<hr/>
Consolidated total liabilities	175,638	306,451
	<hr/> <hr/>	<hr/> <hr/>

2. REVENUE AND SEGMENT REPORTING (Continued)

2.2 Segment reporting (Continued)

(d) Geographical information

The Group's operations are mainly located in Hong Kong (Place of domicile) and the People's Republic of China (the "PRC").

The Group's revenue from external customers and information about its non-current assets (other than financial assets) by geographical markets are detailed as below:

	Revenue from external customers		Non-current assets	
	Six months ended 30 June 2020 <i>HK\$'000</i> (Unaudited)	Six months ended 30 June 2019 <i>HK\$'000</i> (Unaudited)	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Hong Kong	24,219	244,995	18,665	21,667
PRC	—	1,724	232	360
	<u>24,219</u>	<u>246,719</u>	<u>18,897</u>	<u>22,027</u>

The geographical location of customers is based on the location at which the goods and services are delivered. For goodwill and intangible assets, the geographical location is based on the areas of operation. The geographical location of other non-current assets is based on the physical location of the assets.

(e) Major customers

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

	Six months ended 30 June	
	2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i>
Customer A	3,859	210,850
Customer B	3,468	—
Customer C	3,051	—
	<u>10,378</u>	<u>210,850</u>

3. OTHER INCOME AND GAINS OR LOSSES

	Three months ended		Six months ended	
	30 June		30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest income on bank deposit	13	8	13	26
Other operating income	104	252	356	336
Loss on disposal of held-for-trading investment	—	(230)	—	(212)
Reversal of impairment loss recognised on trade receivables	155	—	155	—
Reversal of impairment loss recognised on other receivables	—	—	8,950	—
Gain on modification of terms of convertible bonds	2,502	—	2,502	—
Derecognition of other payable and promissory note	(1,702)	—	(1,702)	—
Loss on redemption of convertible bonds	(2,444)	—	(2,444)	—
Gain on disposal of property, plant and equipment	56	—	56	—
Sundry income	398	757	513	985
	<u>(918)</u>	<u>787</u>	<u>8,399</u>	<u>1,135</u>

4. GAIN ON 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 of a subsidiary amounted to HK\$173,000 has been recognised in the condensed consolidated statement of profit or loss for the six months ended 30 June 2019.

5. GAIN ON DEREGISTRATION OF SUBSIDIARIES

On 22 May 2020, the Group deregistrated M Technology Limited and Merdeka Asset Management Limited, indirect wholly-owned subsidiaries of the Company. Gain on deregistration of subsidiaries amounted to HK\$1,057,000 has been recognised in the condensed consolidated statement of profit or loss for the six months ended 30 June 2020.

On 25 January 2019, the Group deregistrated Netgenii Technology Limited, a non-wholly owned subsidiary in Hong Kong. Gain on deregistration of subsidiary amounted to HK\$1,210,000 has been recognised in the condensed consolidated statement of profit or loss for the six months ended 30 June 2019.

6. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Imputed interest on convertible bonds <i>(note)</i>	4,032	2,640	6,870	5,217
Imputed interest on promissory notes	—	175	128	232
Coupon interest on promissory notes	—	40	27	53
Interest on bank borrowings	58	1,378	149	1,993
Interest on other borrowings	254	190	665	325
Interest on lease liabilities	54	154	118	291
	<u>4,398</u>	<u>4,577</u>	<u>7,957</u>	<u>8,111</u>
Less: interest on bank borrowings included in cost of sales for financial services business	<u>—</u>	<u>(1,283)</u>	<u>—</u>	<u>(1,799)</u>
	<u>4,398</u>	<u>3,294</u>	<u>7,957</u>	<u>6,312</u>

Note: The interest represents the imputed interest on the liability component of the convertible bonds for both periods.

7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation expenses in respect of:				
Right-of-use assets	1,243	1,338	2,486	2,418
Property, plant and equipment	238	319	498	557
Amortisation of intangible assets	57	94	114	94
Staff costs (including directors' emoluments)	3,855	3,129	7,735	6,890
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

8. INCOME TAX

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities in Hong Kong that are not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The PRC enterprise income tax has been provided at the rate of 25% for both periods. Taxes on profits assessable elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax:				
— current	910	—	1,541	—
PRC enterprise income tax:				
— current	—	—	—	—
— under/(over) provision in prior years	—	6	—	(1,065)
Deferred tax	(208)	—	(249)	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>702</u>	<u>6</u>	<u>1,292</u>	<u>(1,065)</u>

9. DIVIDEND

No interim dividend has been paid or declared by the Company during the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

10. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company are based on the following data:

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss attributable to owners of the Company for the purpose of calculating basis and diluted loss per share	<u>(56,780)</u>	<u>(7,800)</u>	<u>(54,817)</u>	<u>(16,769)</u>
	Number of shares			
	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	'000	'000	'000	'000
Shares				
Weighted average number of ordinary shares in issue during the year	365,928	204,009	314,065	204,009
Effect of the convertible bond issued in 2015	<u>—</u>	<u>17,391</u>	<u>—</u>	<u>17,391</u>
	<u>365,928</u>	<u>221,400</u>	<u>314,065</u>	<u>221,400</u>

The diluted loss per share is the same as the basic loss per share because the calculation of the diluted loss per share does not assume the exercise of the outstanding share options and conversion rights attached to the convertible bonds since their exercise would result in decrease in loss per share.

For the six months ended 30 June 2019 comparative figure has been restated with the effective of share consolidation.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group spent approximately HK\$21,000 in additions of leasehold improvement (year ended 31 December 2019: HK\$374,000).

12. GOODWILL

	<i>HK\$'000</i>
COST:	
At 1 January 2019 (audited)	5,803
Acquisition through acquisition of subsidiaries (<i>note 24</i>)	<u>5,470</u>
At 31 December 2019 (audited), 1 January 2020 (audited) and 30 June 2020 (unaudited)	<u>11,273</u>
ACCUMULATED IMPAIRMENT LOSSES:	
At 1 January 2019 (audited)	5,803
Impairment loss for the year	<u>—</u>
At 31 December 2019 and 1 January 2020 (audited) Impairment loss for the period	<u>5,803</u>
At 30 June 2020 (unaudited)	<u>5,803</u>
NET CARRYING AMOUNT:	
At 30 June 2020 (unaudited)	<u><u>5,470</u></u>
At 31 December 2019 (audited)	<u><u>5,470</u></u>

13. INTANGIBLE ASSETS

	Trading Right <i>HK\$'000</i>	Customer Relationship <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST:			
At 1 January 2019 (audited)	5,705	—	5,705
Acquired through acquisition of subsidiaries (<i>note 24</i>)	<u>—</u>	<u>1,140</u>	<u>1,140</u>
At 31 December 2019 (audited), 1 January 2020 (audited) and 30 June 2020 (unaudited)	<u>5,705</u>	<u>1,140</u>	<u>6,845</u>
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:			
At 1 January 2019 (audited)	—	—	—
Impairment loss for the year	1,205	—	1,205
Amortisation for the year	<u>—</u>	<u>190</u>	<u>190</u>
At 31 December 2019 (audited) and 1 January 2020 (audited)	<u>1,205</u>	<u>190</u>	<u>1,395</u>
Amortisation for the period	<u>—</u>	<u>114</u>	<u>114</u>
At 30 June 2020 (unaudited)	<u>1,205</u>	<u>304</u>	<u>1,509</u>
NET CARRYING AMOUNT:			
At 30 June 2020 (unaudited)	<u>4,500</u>	<u>836</u>	<u>5,336</u>
At 31 December 2019 (audited)	<u><u>4,500</u></u>	<u><u>950</u></u>	<u><u>5,450</u></u>

Trading right have indefinite useful life and therefore no amortisation has been provided.

No impairment loss was considered during the six months ended 30 June 2020 (year ended 31 December 2019: HK\$1,205,000).

Customer relationship of HK\$1,140,000 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.

There was no addition of intangible assets for the six months ended 30 June 2020 (year ended 31 December 2019: HK\$1,140,000).

14. RIGHT-OF-USE ASSETS

HK\$'000

COST:

Recognition upon initial application of HKFRS 16	11,171
Acquired through acquisition of subsidiaries (<i>note 24</i>)	3,943
Exchange realignment	(18)
	<hr/>
At 31 December 2019 (audited) and 1 January 2020 (audited)	15,096
Exchange realignment	(13)
	<hr/>
At 30 June 2020 (unaudited)	15,083

ACCUMULATED DEPRECIATION:

Depreciation recognised upon initial application of HKFRS 16	1,463
Depreciation for the year	4,944
Exchange realignment	(17)
	<hr/>
At 31 December 2019 (audited) and 1 January 2020 (audited)	6,390
Depreciation for the period	2,486
Exchange realignment	(13)
	<hr/>
At 30 June 2020 (unaudited)	8,863

NET CARRYING AMOUNT:

At 30 June 2020 (unaudited)	6,220
	<hr/> <hr/>
At 31 December 2019 (audited)	8,706
	<hr/> <hr/>

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.

15. 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, are as follows:

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Within 30 days	10,690	28,169
31 to 60 days	365	312
61 to 120 days	481	978
Over 120 days	1,158	429
	<u>12,694</u>	<u>29,888</u>

As at 30 June 2020, the balance of HK\$8,447,000 (31 December 2019: HK\$27,579,000) represented the trade receivables arising from securities brokerage services.

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

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Not impaired	<u>12,694</u>	<u>29,888</u>

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.

16. FINANCE LEASE RECEIVABLES

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Gross finance lease receivables	155,507	158,529
Less: Provision for impairment loss	<u>(155,507)</u>	<u>(77,458)</u>
	<u>—</u>	<u>81,071</u>

Amount receivable under finance leases

	Minimum lease payment		Present value of minimum lease payment	
	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Within one year	168,777	172,059	155,507	158,529
Unearned finance income	<u>(13,270)</u>	<u>(13,530)</u>	<u>N/A</u>	<u>N/A</u>
Present value of minimum lease payment	155,507	158,529	155,507	158,529
Less: Provision for impairment loss	<u>(155,507)</u>	<u>(77,458)</u>	<u>(155,507)</u>	<u>(77,458)</u>
	<u>—</u>	<u>81,071</u>	<u>—</u>	<u>81,071</u>

The interest rate inherent in the leases was fixed at the contract date for the entire lease term. The interest rates of the above finance leases is 5.83% per annum as at 30 June 2020 (31 December 2019: 4.81% to 9.40%).

Finance lease receivable balances are secured over the equipment held by the lessee. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

Impairment loss of HK\$78,049,000 (year ended 31 December 2019: HK\$77,458,000) has been recognised in the unaudited condensed consolidated statement of profit or loss for the six months ended 30 June 2020.

17. BANK BALANCES AND CASH

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Bank balances — trust accounts (<i>note</i>)	6,530	31,651
Bank balances and cash — general accounts	<u>83,995</u>	<u>15,454</u>
	<u><u>90,525</u></u>	<u><u>47,105</u></u>

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 trust bank account and bear interest at commercial rates. The Group has recognised the corresponding accounts payable to respective clients.

As at 30 June 2020, the Group's bank balances and cash — general accounts amounted to approximately HK\$83,995,000 (31 December 2019: approximately HK\$15,454,000), approximately HK\$9,445,000 was denominated in RMB and approximately HK\$74,550,000 was denominated in Hong Kong dollars (31 December 2019: approximately HK\$127,000 and approximately HK\$15,327,000 respectively). Therein, approximately HK\$74,534,000 (31 December 2019: approximately HK\$15,130,000) were bank balances deposited with credit worthy banks of high credit ratings in Hong Kong, in which, approximately HK\$74,534,000 (31 December 2019: approximately HK\$15,130,000), was denominated in Hong Kong dollars. Included in bank balances and cash — general accounts, there was a pledged deposit of approximately HK\$4,124,000 as at 31 December 2019 to secure a general banking facility and such facility was terminated on 9 June 2020 (note 18).

18. BORROWINGS

	<i>Notes</i>	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Bank overdrafts		—	1,884
Bank borrowings, secured	1	—	3,000
Bank borrowings, unsecured	2	<u>913</u>	<u>—</u>
		<u><u>913</u></u>	<u><u>4,884</u></u>

Note:

- As at 31 December 2019, a general banking facility amounted to HK\$7,000,000 was secured by a deposit of HK\$4,124,000. The facility was utilised to the extent of HK\$3,000,000.
- As at 30 June 2020, the Group had no pledged assets for the bank borrowings.

19. LEASE LIABILITIES

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Minimum lease payments due		
— Within one year	4,980	5,200
— In the second to fifth years, inclusive	1,513	3,894
	<u>6,493</u>	<u>9,094</u>
Less: future finance charges	<u>(130)</u>	<u>(249)</u>
Present value of lease liabilities	<u><u>6,363</u></u>	<u><u>8,845</u></u>

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Within one year	4,859	5,003
In the second to fifth years, inclusive	1,504	3,842
	<u>6,363</u>	<u>8,845</u>

20. CONVERTIBLE BONDS

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

	<i>Notes</i>	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
At beginning of the period/year		116,344	105,651
Interest charged		6,870	10,693
Issuance of convertible bonds	1	25,492	—
Modification of the term of convertible bonds	2	(46,110)	—
Redemption of convertible bonds	3	(33,990)	—
		<u>68,606</u>	<u>116,344</u>

20. CONVERTIBLE BONDS (Continued)

Notes:

1. On 10 January 2020, the Company entered into the subscription agreement (as supplemented by the supplemental agreement dated 20 March 2020) with Team Sunny International Holdings Limited (“**Team Sunny**”), a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Wong Hin Shek (“**Mr. Wong**”), the substantial shareholder of the Company, pursuant to which Team Sunny conditionally agreed to subscribe and the Company conditionally agreed to issue the convertible bonds in the principal amount of HK\$39,805,651 (which are convertible into conversion shares at the conversion price of HK\$0.110 per share (subject to adjustments)) for the settlement of the outstanding debt due from the Company to Mr. Wong of HK\$39,805,651. The subscription amount payable by Team Sunny under the subscription agreement shall be satisfied by way of offsetting (i) the principal amount of HK\$8,000,000 under the 2019 PN and payable by the Company to Mr. Wong (which will be assigned to Team Sunny by Mr. Wong at the completion of the subscription to facilitate the set-off); and (ii) the outstanding principal amount and part of the accrued interest in an aggregate amount of HK\$31,805,651 under Mr. Wong’s facilities payable by the Company to Mr. Wong (which will be assigned to Team Sunny by Mr. Wong at the completion of the subscription to facilitate the set-off). Details were set out in the Company’s announcements dated 10 January 2020, 20 March 2020, 14 April 2020 and 21 May 2020 and the Company’s circular dated 27 March 2020.
2. On 10 January 2020, the Company and the holder(s) (“**CB Holders**”) of the convertible bonds issued by the Company on 12 August 2008 (the “**2008 CBs**”) entered into the fourth supplemental deed, pursuant to which the Company and the CB Holders conditionally agreed to amend certain terms of the 2008 CBs such that (a) the maturity date of the 2008 CBs be extended for a further term of three years from 13 August 2020 to 12 August 2023; and (b) the conversion price of the 2008 CBs be revised from HK\$0.95 per conversion share to HK\$0.110 per conversion share with effect from 13 August 2020 (subject to adjustments). Save for the above amendments, all other terms of the 2008 CBs shall remain unchanged and valid. Details were set out in the Company’s announcements dated 10 January 2020, 20 March 2020 and 14 April 2020 and the Company’s circular dated 27 March 2020.
3. On 29 June 2020, the Company has made a partial redemption in the principal amount of HK\$55,000,000 on part of the 2008 CBs.

21. PROMISSORY NOTES

On 28 February 2019, The Company issued a promissory note with principal amounts of HK\$8.0 million (the “**2019 PN**”) as a consideration for the acquisition of MPSL Group (as defined in note 24). 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 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.

On 28 February 2020, Mr. Wong entered into an extension deed (which was agreed and accepted by the Company), agreeing that (i) the maturity date of 2019 PN shall be extended to the date of completion of the subscription agreement be entered into between the Company and Team Sunny (as supplemented by the supplemental agreement dated 20 March 2020) (the “**CB Subscription**”) or the date on which the CB Subscription lapses, whichever is the earlier, or such later date as Mr. Wong and the Company may mutually agree in writing (the “**New Maturity Date**”) and; (ii) all interest accrued on the outstanding principal amount of the 2019 PN shall be repayable on the fifth business day immediately after the date of completion of the proposed rights issue or the date on which the proposed rights issue and the underwriting agreement are terminated or lapse, whichever is the earlier, or such other date as Mr. Wong and the Company may mutually agree in writing. For the avoidance of doubt, no interest shall continue to accrue after the full repayment of the principal amount of the 2019 PN on the New Maturity Date. Save for the above amendments, all other terms and conditions of the 2019 PN shall remain unchanged and in full and effect in all aspects. Upon the completion of the subscription and issue of Team Sunny convertible bonds on 21 May 2020 all the principal amount of 2019 PN was offset and settled.

Details were set out in the Company’s announcements dated 28 February 2020 and 21 May 2020.

21. PROMISSORY NOTES (Continued)

The movement of the promissory notes was as follows:

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
At beginning of the period/year	8,005	—
2019 PN	—	7,272
Coupon interest charged	27	133
Imputed interest charged	128	600
Transfer to convertible bonds	(8,000)	—
Transfer to other payables upon maturity	(160)	—
	<u>—</u>	<u>8,005</u>

22. TRADE PAYABLES

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

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Within 30 days	14,954	58,723
31 to 60 days	146	294
61 to 120 days	102	26
Over 120 days	1,451	1,140
	<u>16,653</u>	<u>60,183</u>

As at 30 June 2020, the balance of HK\$14,954,000 (31 December 2019: HK\$58,665,000) represented the trade payables arising from securities brokerage services.

23. SHARE CAPITAL

	Company Number of shares <i>in '000</i>	Nominal values <i>HK\$'000</i>
Authorised:		
As at 31 December 2019, 1 January 2020 and 30 June 2020		
Ordinary shares of HK\$0.01 each	<u>20,000,000</u>	<u>20,000</u>
Issued and fully paid:		
As at 31 December 2019 and 1 January 2020	262,200	2,622
Issuance of shares (<i>note</i>)	<u>1,048,803</u>	<u>10,488</u>
As at 30 June 2020		
Ordinary shares of HK\$0.01 each	<u><u>1,311,003</u></u>	<u><u>13,110</u></u>

Note:

On 22 June 2020, the Company completed a rights issue (the “**Rights Issue**”) on the basis of four rights shares for every one existing share of the Company held on 28 May 2020 at the subscription price of HK\$0.110 per rights share and allotted and issued 1,048,802,876 shares of the Company. Gross rights issue proceeds of HK\$115,368,000 of which HK\$10,488,000 were credited against share capital and the remaining proceeds of HK\$104,880,000 after offsetting the share issuance cost of HK\$1,552,000 were credited against share premium account.

24. ACQUISITION OF SUBSIDIARIES

On 28 February 2019, the Group completed the acquisition of the entire interest in Merdeka Professional Services Limited (formerly known as Veda Corporate Services Limited) and its subsidiaries (together “**MPSL Group**”) at a consideration of HK\$8,000,000 settled by the promissory notes issued by the Company. MPSL 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.

24. ACQUISITION OF SUBSIDIARIES (Continued)

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

	Fair value HK\$'000 (Unaudited)
Property, plant and equipment	20
Right-of-use assets (<i>note 14</i>)	3,943
Intangible assets (<i>note 13</i>)	1,140
Trade receivables	998
Other receivables	36
Prepayments and deposits	544
Bank balances and cash	2,654
Tax receivables	233
Trade payables	(630)
Deferred income	(3)
Receipts in advance	(33)
Deferred tax liabilities	(187)
Dividend payable	(2,970)
Lease liabilities	(3,943)
	<hr/>
Fair value of net assets acquired	1,802
	<hr/> <hr/>
	HK\$'000 (Unaudited)
Total consideration satisfied by promissory notes issued at fair value (<i>note 21</i>)	7,272
	<hr/>
Less: Fair value of net assets acquired	(1,802)
	<hr/>
Goodwill (<i>note 12</i>)	5,470
	<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/>

25. 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		Six months ended	
			30 June		30 June	
			2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i>
Mr. Wong Hin Shek	Shareholder of the Company	Loan interest payable	254	190	380	382

Total compensation paid to key management personnel during the six months ended 30 June 2020 amounted to approximately HK\$443,000 (six months ended 30 June 2019: approximately HK\$1,788,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

During the six months ended 30 June 2020, the Group is principally engaged in (i) financial services business including the securities brokerage services, provision of corporate finance advisory services, asset management business, money lending services and financial leasing business; (ii) corporate consulting business including company secretarial services, accounting and financial reporting services and management consulting services; (iii) trading business; and (iv) information technology business.

For the six months ended 30 June 2020, the Group recorded revenue of approximately HK\$24.2 million (six months ended 30 June 2019: approximately HK\$246.7 million). Loss for the period attributable to owners of the Company was approximately HK\$54.8 million (six months ended 30 June 2019: approximately HK\$16.8 million). Basic and diluted loss per share was approximately HK\$0.17 (six months ended 30 June 2019: approximately HK\$0.08). The increase in net loss for the six months ended 30 June 2020 was mainly due to the impairment loss on finance lease receivables.

Given the businesses of both corporate finance advisory services and asset management continuously contributed revenue and operating profit to the Group since they commenced businesses in late 2019, should the impairment loss of finance lease receivables be excluded, the net loss of the Group for the six months ended 30 June 2020 would be HK\$1.3 million, which represented a significant drop in net loss as compared with the net loss of HK\$17.9 million for the six months ended 30 June 2019.

Financial services business

The revenue for the six months ended 30 June 2020 of the financial services business was approximately HK\$11.7 million (six months ended 30 June 2019: approximately HK\$2.2 million) and a segment profit of approximately HK\$6.5 million (six months ended 30 June 2019: approximately HK\$0.4 million)

During the period under review, the financial leasing services business in the PRC continued to be stagnant. No new financial leasing contract was concluded due to keen competition in the industry and the default rate of finance lease receivables was high that the performance of financial leasing services business was sluggish.

As at 30 June 2020, the Company engaged an independent qualified valuer to determine the expected credit losses (the “ECL”) of the Group’s finance lease receivables. In assessing the ECL of the Group’s finance lease receivables, a credit rating analysis of the underlying debtors was adopted by reviewing the historical accounting information, credit assessment and including forward-looking information to estimate the default risk. The Group applied different expected loss rates to different classes of receivables according to their respective risk characteristics. In determining the default risk, factors including but not limited to, the past default history, the duration of the underlying finance lease, the

existence and valuation of the collaterals, the possibility of adverse change in the debtor's business environment and the debtor's financial position, would be considered. The rate of ECL is approximately 100% depending on the nature, probability of default and loss given default of the finance lease receivables.

For the six months ended 30 June 2020, the corporate financial advisory services generated revenue of approximately HK\$7.3 million, represented approximately 30.2% of the total revenue of the Group. Since the Group's corporate financial advisory services obtained its license from the Securities and Futures Commission of Hong Kong (the "SFC") to carry out Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") in August 2019, it continuously generated stable revenue stream and contributed operating profit to the Group.

Merdeka Investment Management Limited ("MIML"), a company carries out Type 4 (advising on securities) and Type 9 (asset management) regulated activities as defined under the SFO, generated revenue of approximately HK\$3.9 million for the six months ended 30 June 2020. During the period under review, MIML has been engaged as investment manager of a Cayman fund with aggregated value of US\$103 million. Recently, MIML is discussing with potential investors and/or private funds to act as investment manager/advisor to provide discretionary investment management solutions and/or investment advisory services in return for management/advisory fees.

Corporate consulting business

The performance of corporate consulting business remained stable that it generated revenue of approximately HK\$3.6 million (six months ended 30 June 2019: approximately HK\$4.6 million) and recorded a segment profit of approximately HK\$0.9 million (six months ended 30 June 2019: approximately HK\$2.9 million) during the six months ended 30 June 2020.

Trading business

The revenue of the trading business for the six months ended 30 June 2020 was approximately HK\$8.9 million (six months ended 30 June 2019: approximately HK\$239.9 million) and a segment loss of approximately HK\$0.2 million (six months ended 30 June 2019: approximately HK\$2.5 million). The weak performance was brought by the demonstrations and social unrest in Hong Kong occurred since the second half of 2019, the number of PRC tourists visiting Hong Kong dropped significantly. The trading business was further impacted during the period under review, since the outbreak of novel coronavirus disease (the "COVID-19"), by the combination of regulatory restrictions against social gatherings, poor market conditions and weak consumer sentiment. The Board believes all these challenging situation led to the significant decline in revenue and poor performance.

Information technology business

The information technology business recorded nil revenue (six months ended 30 June 2019: nil) and recorded a segment loss of approximately HK\$0.006 million (six months ended 30 June 2019: approximately HK\$0.8 million) for the six months ended 30 June 2020.

OUTLOOK

Financial services business

Given the outstanding performance of the businesses of corporate financial advisory services and asset management, the Group will continue to put more effort in the development of these businesses and at the same time to explore more related business opportunities.

Furthermore, YAS Digital Limited, the Group's investment in a Hong Kong-based regional insurance technology company, on 23 July 2020, unveiled Hong Kong's first micro-insurance marketplace, YAS, which utilizes innovative technologies such as fifth-generation wireless (5G), artificial intelligence (AI), blockchain, data analytics, and open application programming interface (API), to create an unprecedented ecosystem and business model for both business-to-business (B2B) and business-to-customers (B2C) customers in the insurance segment. The Board is confident with the prospects and potential growth of the financial technology industry and believes that the underlying technology and innovative ideas can be complementary to the Group's existing financial businesses, including the securities brokerage services, corporate finance advisory services, asset management business and money lending services.

Corporate consulting business

Given the worldwide awareness of corporate governance, 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.

Trading business

The business environment for retail trade would be more difficult and challenging in the near term. The Board has taken various proactive measures, including but not limited to, negotiating with landlords for rental reductions, to minimize the impact of COVID-19 on the trading business operations. Furthermore, the Group has been closely monitoring the availability of government subsidies.

CONVERTIBLE BONDS

2008 and 2015 Convertible Bonds

Further to the 2008 CBs 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 CBs**”) in the principal amount of HK\$40.0 million as paid of the consideration for acquisition of the entire issued share capital of Blossom Height Ventures Limited. On 17 December 2019, 17,391,304 shares issued as the convertible bonds with fair value of HK\$40.0 million were fully converted into shares of HK\$0.01 each at the conversion price of HK\$2.30.

On 10 January 2020, the Company and the CB Holders of the 2008 CBs entered into the fourth supplemental deed, pursuant to which the Company and the CB Holders conditionally agreed to amend certain terms of the 2008 CBs such that (a) the maturity date of the 2008 CBs be extended for a further term of three years from 13 August 2020 to 12 August 2023; and (b) the conversion price of the 2008 CBs be revised from HK\$0.95 per conversion share to HK\$0.110 per conversion share with effect from 13 August 2020 (subject to adjustments). Save for the above amendments, all other terms of the 2008 CBs shall remain unchanged and valid. The amendments on 2008 CBs took effect on 18 May 2020.

On 29 June 2020, the Company made a partial redemption in the principal amount of HK\$55,000,000 on part of the 2008 CBs.

As at 30 June 2020, the Company had 2008 CBs with principal amount of HK\$69.1 million conferring rights to convert into a total of 627,890,909 shares of the Company (the “**Shares**”) with the conversion price of HK\$0.11 per Share.

Team Sunny Convertible Bonds

On 10 January 2020, the Company entered into the subscription agreement (as supplemented by the supplemental agreement dated 20 March 2020) with Team Sunny, pursuant to which Team Sunny conditionally agreed to subscribe and the Company conditionally agreed to issue the convertible bonds in the principal amount of HK\$39,805,651 (which are convertible into conversion shares at the conversion price of HK\$0.110 per share (subject to adjustments)) for the settlement of the outstanding debt due from the Company to Mr. Wong of HK\$39,805,651. The subscription amount payable by Team Sunny under the subscription agreement shall be satisfied by way of offsetting (i) the principal amount of HK\$8,000,000 under the 2019 PN and payable by the Company to Mr. Wong (which will be assigned to Team Sunny by Mr. Wong at the completion of the subscription to facilitate the set-off); and (ii) the outstanding principal amount and part of the accrued interest in an aggregate amount of HK\$31,805,651 under Mr. Wong’s facilities payable by the Company to Mr. Wong (which will be assigned to Team Sunny by Mr. Wong at the completion of the subscription to facilitate the set-off).

On 21 May 2020, the subscription took place and the Team Sunny convertible bonds in the principal amount of HK\$39,805,651 were issued to Team Sunny.

As at 30 June 2020, the Company had Team Sunny convertible bonds with principal amount of HK\$39.8 million conferring rights to convert into a total of 361,869,554 Shares with the conversion price of HK\$0.11 per Share.

LITIGATION

On 22 January 2015, the Company received a writ of summons (HCA 170 of 2015) 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 first defendant; (ii) the Company, as the second defendant; and (iii) Mr. Lau Chi Yan Pierre, the then managing Director and executive Director, as the third 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); (2) alternatively, the damages in the sum of HK\$80,000,000 in lieu of specific performance; (3) the interest; (4) further and/or other relief; and (5) the costs.

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 on 14 November 2017, the Company has appealed against the Judgment by way of Notice of Appeal filed on 25 October 2017 with the Court of Appeal (the “**Appeal**”) (CACV 237 of 2017) and has taken steps to seek further legal advice on the Judgment, the Appeal, 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 Provisions) Ordinance, Chapter 32 of the laws of Hong Kong (the “**CWUMPO**”) from the High Court (HCCW 343 of 2017) that the Company may be wound up by the High Court under the provisions of the CWUMPO 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.

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 judgement was handed down on 18 January 2019.

On 20 May 2019, the High 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. Application for the return of HK\$4.4 million together with the interest accrued to the Company has been submitted to the High Court. On the hearing of the High Court on 18 December 2019, the High Court ordered that such application be adjourned sine die and costs be reserved. It was ordered by the High Court that the case be placed before a judge of the Court of Appeal for direction or determination.

On 13 August 2020, the Company received a judgement dated 13 August 2020 handed down by the Court of Appeal, among others, that an order made in favor of Mr. Au Kai To Karel, the plaintiff, for the payment of HK\$4.4 million and ordering the Company and End User to pay the costs of HK\$100,000. The Group will seek further legal advice on the judgement and other appropriate actions will be taken thereon if so advised.

For details, please refer to the announcements of the Company dated 22 January 2015, 29 September 2017, 14 November 2017, 22 January 2019 and 21 May 2019.

DIVIDENDS

The Board resolved not to recommend the payment of any dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 30 June 2020, the Group recorded cash and bank balances (included trust accounts) amounting to approximately HK\$90.5 million (31 December 2019: approximately HK\$47.1 million) and the net current assets value was approximately HK\$13.3 million (31 December 2019: net current liabilities approximately HK\$128.5 million). The Group's gearing ratio as at 30 June 2020 was approximately 0.50 (31 December 2019: approximately 0.66), being a ratio of total interest-bearing debts, included bank borrowings, convertible bonds and promissory notes of approximately HK\$69.5 million (31 December 2019: approximately HK\$129.2 million) to the total assets of approximately HK\$138.9 million (31 December 2019: approximately HK\$197.1 million).

USE OF PROCEEDS FROM RIGHTS ISSUE

The Company completed the Rights Issue on 22 June 2020, pursuant to which the Company has issued 1,048,802,876 Shares as rights shares at HK\$0.11 per rights share on the basis of four rights shares for every one existing Share held on 28 May 2020. The net proceeds from the Rights Issue (after deducting the expenses) were approximately HK\$110.8 million. The net subscription price per rights share after deducting the related expenses of the Rights Issue was approximately HK\$0.106. The Company intends to apply the net proceeds from the proposed rights issue as to (i) approximately HK\$55.00 million for a partial repayment of the 2008 CBs to Mr. Wilson Cheung, the chairman (the “**Chairman**”), the chief executive officer (the “**Chief Executive Officer**”) and an executive Director of the Company; (ii) approximately HK\$12.64 million for repayment of the Mr. Wilson Cheung’s advance to the Company; (iii) approximately HK\$14.86 million for repayment of the promissory notes issued by the Company on 4 April 2014 which was classified as other payables; and (iv) the remaining amount of approximately HK\$28.30 million of the net proceeds for general working capital of the Group and facilitate the Group to capture potential investment opportunities which may arise in future.

As at 30 June 2020, the Group utilised the net proceeds from the Rights Issue as to (i) approximately HK\$55.00 million for a partial repayment of the 2008 CBs to Mr. Wilson Cheung; and (ii) approximately HK\$2.7 million for general working capital of the Group. The unutilised net proceeds have been placed as the interest bearing deposits with licensed banks in Hong Kong.

The Group plans to utilise the remaining proceeds from the rights issue as intended and as to (i) approximately HK\$12.64 million for repayment of the Mr. Wilson Cheung’s advance to the Company in July 2020; (ii) approximately HK\$14.86 million for repayment of the promissory notes issued by the Company on 4 April 2014 in the coming 12 months; and (iii) approximately HK\$25.6 million for future general working capital and future potential investments in the coming 12 months.

FINANCIAL ASSISTANCE RECEIVED BY THE COMPANY

As at 30 June 2020, Mr. Wilson Cheung, the Chairman, the Chief Executive Officer and an executive Director, advanced fund of approximately HK\$12.6 million (31 December 2019: approximately HK\$12.6 million) to the Company at no interest, no security and no fixed repayment terms. The Company fully settled the advanced fund to Mr. Wilson Cheung on 16 July 2020.

Upon the subscription of Team Sunny convertible bonds with principal amount of HK\$39,805,651 completed on 21 May 2020 which offset the outstanding principal amount and part of the accrued interest in an aggregate amount of HK\$31,805,651 under Mr. Wong’s advance payable by the Company to Mr. Wong, as at 30 June 2020, Mr. Wong advanced fund of approximately HK\$3.0 million (31 December 2019: approximately HK\$30.5 million) to the Company. All the loans advanced by Mr. Wong to the Company were unsecured. The Company fully settled the advance fund to Mr. Wong on 31 July 2020.

As Mr. Wong is the connected person 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 2020, the Group had no pledged assets (31 December 2019: bank deposits of approximately HK\$4.1 million).

CAPITAL STRUCTURE

On 22 June 2020, the Company allotted and issued 1,048,802,876 Shares under rights issue on the basis of four rights shares for every one existing Share held on 28 May 2020.

Save as disclosed, the Company had no changes in capital structure during the six months ended 30 June 2020.

INVESTMENT POSITION AND PLANNING

Rights Issue on the basis of four (4) rights shares for every one (1) existing share held on 28 May 2020

On 22 June 2020, the Company completed the Rights Issue on the basis of four (4) rights shares for every one (1) existing Share held on 28 May 2020 at the subscription price of HK\$0.110 per rights share and allotted and issued 1,048,802,876 Shares. The net proceeds raised from the Rights Issue were approximately HK\$110.8 million.

Details were set out in the Company's announcements dated 10 January 2020, 20 March 2020, 14 April 2020, 16 April 2020, 18 May 2020 and 19 June 2020, the Company's circular dated 27 March 2020 and the Company's prospectus dated 29 May 2020.

Connected transaction — subscription of convertible bonds under specific mandate

On 10 January 2020, the Company entered into the subscription agreement (as supplemented by the supplemental agreement dated 20 March 2020) with Team Sunny, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Wong, pursuant to which Team Sunny conditionally agreed to subscribe and the Company conditionally agreed to issue the convertible bonds in the principal amount of HK\$39,805,651 (which are convertible into conversion shares at the conversion price of HK\$0.110 per share (subject to adjustments)) for the settlement of the outstanding debt due from the Company to Mr. Wong of HK\$39,805,651. The subscription amount payable by Team Sunny under the subscription agreement shall be satisfied by way of offsetting (i) the principal amount of HK\$8,000,000 under the 2019 PN and payable by

the Company to Mr. Wong (which will be assigned to Team Sunny by Mr. Wong at the completion of the subscription to facilitate the set-off); and (ii) the outstanding principal amount and part of the accrued interest in an aggregate amount of HK\$31,805,651 under Mr. Wong's facilities payable by the Company to Mr. Wong (which will be assigned to Team Sunny by Mr. Wong at the completion of the subscription to facilitate the set-off). The subscription was completed on 21 May 2020.

Details were set out in the Company's announcements dated 10 January 2020, 20 March 2020, 14 April 2020, 16 April 2020, 18 May 2020 and 21 May 2020 and the Company's circular dated 27 March 2020.

Connected transaction — Amendments to the terms of the 2008 convertible bonds

On 10 January 2020, the Company and the CB Holders of the 2008 CBs entered into the fourth supplemental deed, pursuant to which the Company and the CB Holders conditionally agreed to amend certain terms of the 2008 CBs such that (a) the maturity date of the 2008 CBs be extended for a further term of three years from 13 August 2020 to 12 August 2023; and (b) the conversion price of the 2008 CBs be revised from HK\$0.95 per conversion share to HK\$0.110 per conversion share with effect from 13 August 2020 (subject to adjustments). Save for the above amendments, all other terms of the 2008 CBs shall remain unchanged and valid. The amendments to the terms of the 2008 CBs took effect on 18 May 2020.

Details were set out in the Company's announcements dated 10 January 2020, 20 March 2020, 14 April 2020, 16 April 2020 and 18 May 2020 and the Company's circular dated 27 March 2020.

Extension of the maturity date of the promissory note

On 28 February 2020, Mr. Wong entered into an extension deed (which was agreed and accepted by the Company), agreeing that (i) the maturity date of 2019 PN shall be extended to the date of completion of the CB Subscription or the date on which the CB Subscription lapses, whichever is the earlier, or such later date as Mr. Wong and the Company may mutually agree in writing and; (ii) all interest accrued on the outstanding principal amount of the 2019 PN shall be repayable on the fifth business day immediately after the date of completion of the proposed rights issue or the date on which the proposed rights issue and the underwriting agreement are terminated or lapse, whichever is the earlier, or such other date as Mr. Wong and the Company may mutually agree in writing. For the avoidance of doubt, no interest shall continue to accrue after the full repayment of the principal amount of the 2019 PN on the New Maturity Date. Save for the above amendments, all other terms and conditions of the 2019 PN shall remain unchanged and in full and effect in all aspects. Upon the completion of the subscription and issue of Team Sunny convertible bonds on 21 May 2020, all the principal amount of 2019 PN was offset and settled.

Details were set out in the Company's announcements dated 28 February 2020 and 21 May 2020.

Memorandum of understanding in relation to the possible acquisition of the digital insurance and related business

On 20 March 2020, Joy Sunny Investment Limited, a wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding with the YAS vendors regarding the Group's intention to acquire certain amount of shares of YAS Digital Limited owned by YAS vendors at a consideration subject to further negotiation by the parties thereto.

Details were set out in the Company's announcement dated 20 March 2020.

CONTINGENT LIABILITIES

As at 30 June 2020, save for the litigation, the Group had no other significant contingent liabilities (31 December 2019: Nil).

CAPITAL COMMITMENTS

As at 30 June 2020, the Group had no significant capital commitments (31 December 2019: Nil).

FOREIGN CURRENCY RISK

The Group's reporting currency is Hong Kong dollar. During the six months ended 30 June 2020, 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group employed 40 staff (31 December 2019: 41). 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 to bonuses. A share option scheme is also established to reward and motivated the employees of the Group.

CONNECTED TRANSACTIONS

Saved 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 2020.

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.

Details of the movements of the share options under the Share Option Scheme during the period for the six months ended 30 June 2020 were as follows:

Name	Number of share options				Outstanding as at 30 June 2020	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 2020	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period					
Other eligible participants	33,199	—	—	—	35,854 ^(Note 3)	30/5/2012	30/5/2012– 29/5/2022	0.017	33.333
	<u>33,199</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>35,854 ^(Note 3)</u>				

Notes:

1. The exercise price of the share options is subject to adjustment in the case of capitalisation issue, rights issue, subdivision or consolidation of the Shares, or other similar changes in the Company’s share capital.
2. The price of the Shares before the date of the grant of the share options is the closing price of the Shares as quoted on the Stock Exchange on the trading day immediately before the date on which the share options were granted.
3. The number of the outstanding share options of the Company have been adjusted upon the allotment and issue of the rights shares pursuant to the Rights Issue on 22 June 2020.

During the period for the six months ended 30 June 2020, no share options were granted by the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Long positions in the Shares

Name of Director	Nature of interest/ Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate percentage of the total issued share capital of the Company (%)
Mr. Wilson Cheung	Beneficial owner	<u>55,781</u>	<u>—</u>	<u>55,781</u>	<u>0.004%</u>

Save as disclosed above and so far as is known to the Directors, at 30 June 2020, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed “Directors’ and Chief Executive’s Interests in Shares and Underlying Shares” and “Share Option Scheme” above, at no time during the period for the six months ended 30 June 2020 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’ AND OTHER PERSON’S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2020, the following persons (other than 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 as recorded in the register required to be kept 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 ^(Note)	Beneficial owner	390,730,000	29.80
Mr. Wong Hin Shek ^(Note)	Controlled corporation	<u>390,730,000</u>	<u>29.80</u>

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/Capacity	Principal amount of the convertible bonds HK\$	Number of the total underlying Shares	Approximate percentage of the total issued share capital of the Company (%)
Team Sunny International Holdings Limited ^(Note)	Beneficial owner	94,805,651	861,869,554	65.74
Mr. Wong Hin Shek ^(Note)	Controlled corporation	<u>94,805,651</u>	<u>861,869,554</u>	<u>65.74</u>

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.

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 2020, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept 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 2020, 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 (the “**Required Standard of Dealings**”).

All Directors have confirmed, following the specific enquiry by the Company, that they have complied with the Required Standard of Dealings throughout the period for the six months ended 30 June 2020 and up to the date of this announcement.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the period for the six months ended 30 June 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company’s corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code in Appendix 15 of the GEM Listing Rules (the “**CG Code**”). Throughout the period for the six months ended 30 June 2020, to the best knowledge of the Board, the Company has applied the principles and complied with all the applicable code provisions set out in the CG Code except for the following deviations:

Code Provision A.2.1

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

Mr. Wilson Cheung currently assumes the roles of both the Chairman and the Chief Executive Officer. Traditionally, the Chief Executive Officer also assumes the role of the Chairman 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 the Chief Executive Officer. Mr. Wilson Cheung has substantial experience that is essential to fulfilling the role of the Chairman, 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 in the day-to-day management of the Group.

As at 30 June 2020, 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 Directors 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.

Code Provision A.4.2

The code provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the articles of association of the Company (the “**Articles**”), any Director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company (“**AGM**”) and shall then be eligible for re-election.

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

Pursuant to the Articles, the Chairman 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 his leadership will be essential for the stability of the key management of the Board. On the other hand, the Board will ensure that the Directors other than the Chairman 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.

As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Ms. Ng Ka Sim, Casina, Mr. Wong Wing Kit and Ms. Yeung Mo Sheung, Ann, with at least one of whom has professional qualifications or accounting or related financial management expertise as required in rule 5.05(2) of the GEM Listing Rules.

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 2020 and this announcement, and was of the opinion that such results and this announcement 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 GROUP LIMITED
Cheung Wai Yin, Wilson
Chairman and Chief Executive Officer

Hong Kong, 13 August 2020

As at the date of this announcement, the executive Directors are Mr. Cheung Wai Yin, Wilson (Chairman and Chief Executive Officer) and Ms. Tsang Kwai Ping, the independent non-executive Directors are Ms. Ng Ka Sim, Casina, Mr. Wong Wing Kit and Ms. Yeung Mo Sheung, Ann.

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>.