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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 2021

CHARACTERISTICS OF 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 “**Directors**”) 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 2021

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 2021, together with the comparative unaudited figures for the corresponding periods in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 June 2021

	Notes	Three months ended 30 June		Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000 (Restated)	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000 (Restated)
REVENUE	2	5,464	10,252	12,060	24,219
Cost of sales		(444)	(1,317)	(1,996)	(7,989)
Gross profit		5,020	8,935	10,064	16,230
Other income and gains or (losses)	3	536	(1,073)	2,142	(706)
Operating and administrative expenses		(7,773)	(10,234)	(16,125)	(17,674)
Reversal of impairment loss on trade receivables		—	155	61	155
Reversal of impairment loss on other receivables		—	—	—	8,950
Impairment loss on loans receivable	15	(352)	—	(352)	—
Reversal of impairment loss/(impairment loss) on finance lease receivables	16	950	(78,049)	950	(78,049)
(Loss)/gain on deregistration of subsidiaries	4	—	1,057	(16)	1,057
Finance costs	5	(2,970)	(4,398)	(5,748)	(7,957)
LOSS BEFORE INCOME TAX	6	(4,589)	(83,607)	(9,024)	(77,994)
Income tax	7	(260)	(702)	(431)	(1,292)
LOSS FOR THE PERIOD		(4,849)	(84,309)	(9,455)	(79,286)
Loss for the period attributable to:					
Owners of the Company		(5,184)	(56,780)	(9,790)	(54,817)
Non-controlling interests		335	(27,529)	335	(24,469)
		(4,849)	(84,309)	(9,455)	(79,286)
		HK\$	HK\$	HK\$	HK\$
LOSS PER SHARE					
— Basic	9	(0.04)	(1.55)*	(0.07)	(1.75)*
— Diluted		(0.04)	(1.55)*	(0.07)	(1.75)*

* Adjusted for the effect of share consolidation on 17 June 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the three and six months ended 30 June 2021

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LOSS FOR THE PERIOD	(4,849)	(84,309)	(9,455)	(79,286)
Other comprehensive income:				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operation	<u>(109)</u>	<u>584</u>	<u>(80)</u>	<u>(2,980)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>(4,958)</u>	<u>(83,725)</u>	<u>(9,535)</u>	<u>(82,266)</u>
Total comprehensive income attributable to:				
Owners of the Company	<u>(5,413)</u>	<u>(56,357)</u>	<u>(9,956)</u>	<u>(56,557)</u>
Non-controlling interests	<u>455</u>	<u>(27,368)</u>	<u>421</u>	<u>(25,709)</u>
	<u>(4,958)</u>	<u>(83,725)</u>	<u>(9,535)</u>	<u>(82,266)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	1,109	750
Statutory deposit		510	510
Goodwill	11	5,470	5,470
Intangible assets	12	3,508	3,622
Right-of-use assets	13	1,457	3,630
Financial assets at fair value through other comprehensive income		2,730	2,730
Financial assets at fair value through profit or loss		487	487
		15,271	17,199
Total non-current assets			
Current assets			
Inventories		341	377
Trade receivables	14	4,232	15,253
Prepayments, deposits and other receivables		7,837	8,339
Loans receivable	15	9,885	11,032
Finance lease receivables	16	—	—
Financial assets at fair value through profit or loss		1,102	1,010
Bank balances — trust accounts	17	46,909	27,378
Bank balances and cash — general accounts	17	26,078	27,610
		96,384	90,999
Total current assets			
Current liabilities			
Borrowings	18	531	851
Lease liabilities	19	1,126	3,354
Trade payables	20	50,151	40,864
Other payables and accruals		41,079	42,801
Tax payables		1,009	559
		93,896	88,429
Total current liabilities			
Net current assets		2,488	2,570
Total assets less current liabilities		17,759	19,769

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

		As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current liabilities			
Deferred tax liabilities		579	598
Convertible bonds	21	<u>79,489</u>	<u>73,872</u>
Total non-current liabilities		<u>80,068</u>	<u>74,470</u>
Net liabilities		<u>(62,309)</u>	<u>(54,701)</u>
EQUITY			
Share capital	22	13,852	13,232
Reserves		<u>(84,664)</u>	<u>(76,015)</u>
Equity attributable to owners of the Company		<u>(70,812)</u>	<u>(62,783)</u>
Non-controlling interests		<u>8,503</u>	<u>8,082</u>
Total deficiency		<u>(62,309)</u>	<u>(54,701)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	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*		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*		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
				Convertible bonds*	Share option reserve*				Income reserve*	Other reserve*					
				(Unaudited) HK\$'000	(Unaudited) HK\$'000				(Unaudited) HK\$'000	(Unaudited) HK\$'000					
As at 1 January 2020	2,622	993,392	66,710	22,728	25,004	163,191	(10,997)	32	(6,548)	(1,400,237)	(144,103)	34,739	(109,364)		
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	10,488	104,880	—	—	—	—	—	—	—	—	115,368	—	115,368		
Transaction cost for rights issue	—	(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>		
As at 1 January 2021	<u>13,232</u>	<u>1,096,884</u>	<u>66,710</u>	<u>51,928</u>	<u>25,004</u>	<u>163,191</u>	<u>(13,824)</u>	<u>730</u>	<u>(6,548)</u>	<u>(1,460,090)</u>	<u>(62,783)</u>	<u>8,082</u>	<u>(54,701)</u>		
Comprehensive income															
(Loss)/profit for the period	—	—	—	—	—	—	—	—	—	(9,790)	(9,790)	335	(9,455)		
Other comprehensive income															
Exchange difference arising on translation of foreign operation	—	—	—	—	—	—	(166)	—	—	—	(166)	86	(80)		
Total comprehensive income	—	—	—	—	—	—	(166)	—	—	(9,790)	(9,956)	421	(9,535)		
Recognition of equity-settled share-based payment	—	—	—	—	997	—	—	—	—	—	997	—	997		
Proceeds from exercise of share options	620	310	—	—	—	—	—	—	—	—	930	—	930		
Exercise of share options	—	468	—	—	(468)	—	—	—	—	—	—	—	—		
As at 30 June 2021	<u>13,852</u>	<u>1,097,662</u>	<u>66,710</u>	<u>51,928</u>	<u>25,533</u>	<u>163,191</u>	<u>(13,990)</u>	<u>730</u>	<u>(6,548)</u>	<u>(1,469,880)</u>	<u>(70,812)</u>	<u>8,503</u>	<u>(62,309)</u>		

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended	
	30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Note	HK\$'000	HK\$'000
Net cash flows generated from operating activities	954	16,307
Net cash flows (used in)/generated from investing activities	(746)	95
Net cash flows (used in)/generated from financing activities	<u>(1,660)</u>	<u>52,137</u>
Net (decrease)/increase in cash and cash equivalents	(1,452)	68,539
Bank balances and cash — general accounts at the beginning of the period	27,610	15,454
Effect of foreign exchange rate changes, net	<u>(80)</u>	<u>2</u>
Bank balances and cash — general accounts at the end of the period	<u>26,078</u>	<u>83,995</u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash — general accounts	17 <u>26,078</u>	<u>83,995</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 2020 (the “**2020 Annual Report**”). The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the 2020 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 2021. 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 income from financial services operations, income from corporate consulting operations and the amounts received and receivable for goods sold to outside customers, net of returns and discounts during the three months and six months ended.

	Three months ended 30 June		Six months ended 30 June	
	2021 (Unaudited) <i>HK\$’000</i>	2020 (Unaudited) <i>HK\$’000</i>	2021 (Unaudited) <i>HK\$’000</i>	2020 (Unaudited) <i>HK\$’000</i>
Financial services business	3,465	6,845	7,014	11,690
Corporate consulting business	1,468	1,850	2,765	3,618
Trading business	531	1,557	2,281	8,911
	<u>5,464</u>	<u>10,252</u>	<u>12,060</u>	<u>24,219</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.

During the period, the Group has not entered new contract with any customer in providing technical support services and sale of information technology products; as such, no revenue is recorded for this business sector. For the purpose of better assessment of individual segment performance, the assets/liabilities and performance of this business sector are grouped into "unallocated" column, therefore certain information for the year ended 31 December 2020 and the period ended 30 June 2020 had been re-presented to conform with current year presentation.

The Group currently has three 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) The corporate consulting business segment is engaged in the provision of company secretarial services, accounting and financial reporting services and management consulting services; and
- (c) The trading business segment is engaged in the trading of goods, components and accessories.

2. REVENUE AND SEGMENT REPORTING (CONTINUED)

2.2 Segment reporting (Continued)

(b) Segment revenue and results

For the six months ended 30 June 2021

	Financial services business (Unaudited) <i>HK\$'000</i>	Corporate consulting business (Unaudited) <i>HK\$'000</i>	Trading business (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment revenue	<u>7,014</u>	<u>2,765</u>	<u>2,281</u>	<u>12,060</u>
Segment profit/(loss)	<u>4,156</u>	<u>(79)</u>	<u>(208)</u>	3,869
Finance costs				(5,638)
Reversal of impairment loss on finance lease receivables				950
Unallocated corporate expenses				<u>(8,205)</u>
Loss before income tax				<u>(9,024)</u>

For the six months ended 30 June 2020

	Financial services business (Unaudited) <i>HK\$'000</i>	Corporate consulting business (Unaudited) <i>HK\$'000</i>	Trading business (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment revenue	<u>11,690</u>	<u>3,618</u>	<u>8,911</u>	<u>24,219</u>
Segment profit/(loss)	<u>6,536</u>	<u>928</u>	<u>(211)</u>	7,253
Finance costs				(7,744)
Gain on deregistration of subsidiaries				1,057
Reversal of impairment loss on other receivables				8,950
Impairment loss on finance lease receivables				(78,049)
Unallocated corporate expenses				<u>(9,461)</u>
Loss before income tax				<u>(77,994)</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 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Segment assets		
Financial services business	83,127	69,705
Corporate consulting business	12,015	11,710
Trading business	<u>6,366</u>	<u>6,400</u>
Total segment assets	101,508	87,815
Unallocated bank balances and cash	2,367	11,309
Unallocated corporate assets	<u>7,780</u>	<u>9,074</u>
Consolidated total assets	<u>111,655</u>	<u>108,198</u>
Segment liabilities		
Financial services business	52,487	44,034
Corporate consulting business	325	973
Trading business	<u>3,689</u>	<u>3,415</u>
Total segment liabilities	56,501	48,422
Convertible bonds	79,489	73,872
Unallocated corporate liabilities	<u>37,974</u>	<u>40,605</u>
Consolidated total liabilities	<u>173,964</u>	<u>162,899</u>

(d) *Geographical information*

For the six months ended 30 June 2021 and 2020, the Group's revenue from external customers is derived solely from its operations in Hong Kong (place of domicile), where all of the Group's non-current assets are located in Hong Kong. The geographical location of external customers is based on the location at which the goods are delivered and services rendered.

2. REVENUE AND SEGMENT REPORTING (CONTINUED)

2.2 Segment reporting (Continued)

(e) Major customers

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

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Customer A — trading business	—	3,859
Customer B — financial services business	—	3,468
Customer C — financial services business	—	3,051
	<u>—</u>	<u>10,378</u>

There is no significant revenue that is more than 10% of the Group's revenue derived from specific external customers for the six months ended 30 June 2021.

3. OTHER INCOME AND GAINS OR (LOSSES)

	Three months ended 30 June		Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Interest income on bank deposit	1	13	3	13
Other operating income	1,039	104	1,179	356
Change in fair value of financial assets at fair value through profit or loss	(620)	—	92	—
Gain on disposal of a subsidiary (<i>Note</i>)	—	—	1	—
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
Waiver of other payables	—	—	703	—
Sundry income	116	398	164	513
	<u>536</u>	<u>(1,073)</u>	<u>2,142</u>	<u>(706)</u>

Note: On 26 March 2021, the Company as a vendor entered into an instrument of transfer with an independent third party, to dispose of its entire equity interest of Galaxy PAM Asset Management (Cayman Islands) Limited, at a consideration of HK\$90,000. The gain on disposal of a subsidiary amounted to HK\$1,000 has been recognised in the condensed consolidated statement of profit or loss for the six months ended 30 June 2021.

4. (LOSS)/GAIN ON DEREGISTRATION OF SUBSIDIARIES

On 25 February 2021, the Group deregistrated 領智恒泰(北京)商務諮詢有限公司, an indirect wholly-owned subsidiary of the Company. Loss on deregistration of a subsidiary amounted to HK\$16,000 has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2021.

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 and other comprehensive income for the six months ended 30 June 2020.

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Imputed interest on convertible bonds (Note)	2,864	4,032	5,617	6,870
Imputed interest on promissory notes	—	—	—	128
Coupon interest on promissory notes	—	—	—	27
Interest on bank borrowings	89	58	89	149
Interest on other borrowings	—	254	—	665
Interest on lease liabilities	17	54	42	118
	<u>2,970</u>	<u>4,398</u>	<u>5,748</u>	<u>7,957</u>

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

6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Depreciation expenses in respect of:				
Right-of-use assets	1,086	1,243	2,173	2,486
Property, plant and equipment	211	238	428	498
Amortisation of intangible assets	57	57	114	114
Staff costs (including Directors' emoluments)	3,931	3,855	9,202	7,735
	<u>3,931</u>	<u>3,855</u>	<u>9,202</u>	<u>7,735</u>

7. 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 subsidiaries established in the People's Republic of China (the "PRC") are subject to enterprise income tax at tax rates of 25% for both periods ended 30 June 2021 and 2020.

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax:				
— current	269	910	450	1,541
Deferred tax	(9)	(208)	(19)	(249)
	<u>260</u>	<u>702</u>	<u>431</u>	<u>1,292</u>

8. DIVIDEND

No interim dividend has been paid or declared by the Company during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

9. 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 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	<u>(5,184)</u>	<u>(56,780)</u>	<u>(9,790)</u>	<u>(54,817)</u>

9. LOSS PER SHARE (CONTINUED)

	Number of shares			
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	'000	'000	'000	'000
		(Restated)		(Restated)
Shares				
Weighted average number of ordinary shares in issue during the year	138,201	36,593	136,055	31,406
Effect of dilutive potential ordinary shares — share options	<u>7,032</u>	—	<u>7,032</u>	—
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>145,233</u>	<u>36,593</u>	<u>143,087</u>	<u>31,406</u>

The calculation of basic loss per share for the six months ended 30 June 2021 is based on the loss attributable to ordinary equity shareholders of the Company, and the weighted average number of 136,055,000 (six month ended 30 June 2020: 31,406,000 adjusted for the effect of share consolidation on 17 June 2021) ordinary shares in issue.

The computation of diluted loss per share for the six months ended 30 June 2021 does not assume the exercise of the Company's conversion option of convertible bonds (six months ended 30 June 2020: share options and conversion option of convertible bonds) because the exercise prices of those options were higher than the average market price.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group spent approximately HK\$787,000 in additions of leasehold improvement, computer and office equipment and motor vehicles (year ended 31 December 2020: HK\$65,000).

11. GOODWILL

HK\$'000

COST:

At 1 January 2020 (audited), 31 December 2020 (audited), 1 January 2021 (audited) and 30 June 2021 (unaudited)	<u>11,273</u>
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ACCUMULATED IMPAIRMENT LOSSES:

At 1 January 2020 (audited), 31 December 2020 (audited), 1 January 2021 (audited) and 30 June 2021 (unaudited)	<u>5,803</u>
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NET CARRYING AMOUNT:

At 30 June 2021 (unaudited)	<u><u>5,470</u></u>
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At 31 December 2020 (audited)	<u><u>5,470</u></u>
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12. INTANGIBLE ASSETS

	Trading Right HK\$'000	Customer Relationship HK\$'000	Total HK\$'000
COST:			
At 1 January 2020 (audited), 31 December 2020 (audited), 1 January 2021 (audited) and 30 June 2021 (unaudited)	<u>5,705</u>	<u>1,140</u>	<u>6,845</u>
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:			
At 1 January 2020 (audited)	1,205	190	1,395
Impairment loss for the year	1,600	—	1,600
Amortisation for the year	<u>—</u>	<u>228</u>	<u>228</u>
At 31 December 2020 (audited) and 1 January 2021 (audited)	<u>2,805</u>	<u>418</u>	<u>3,223</u>
Amortisation for the period	<u>—</u>	<u>114</u>	<u>114</u>
At 30 June 2021 (unaudited)	<u>2,805</u>	<u>532</u>	<u>3,337</u>
NET CARRYING AMOUNT:			
At 30 June 2021 (unaudited)	<u><u>2,900</u></u>	<u><u>608</u></u>	<u><u>3,508</u></u>
At 31 December 2020 (audited)	<u><u>2,900</u></u>	<u><u>722</u></u>	<u><u>3,622</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 2021 (year ended 31 December 2020: HK\$1,600,000).

12. INTANGIBLE ASSETS (CONTINUED)

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 2021 and year ended 31 December 2020.

13. RIGHT-OF-USE ASSETS

	<i>HK\$'000</i>
COST:	
At 1 January 2020 (audited)	15,096
Lease modification	(1,832)
Exchange realignment	21
	<hr/>
At 31 December 2020 (audited) and 1 January 2021 (audited)	13,285
Exchange realignment	10
	<hr/>
At 30 June 2021 (unaudited)	13,295
	<hr/>
ACCUMULATED DEPRECIATION:	
At 1 January 2020 (audited)	6,390
Depreciation for the year	4,867
Lease modification	(1,623)
Exchange realignment	21
	<hr/>
At 31 December 2020 (audited) and 1 January 2021 (audited)	9,655
Depreciation for the period	2,173
Exchange realignment	10
	<hr/>
At 30 June 2021 (unaudited)	11,838
	<hr/>
NET CARRYING AMOUNT:	
At 30 June 2021 (unaudited)	1,457
	<hr/> <hr/>
At 31 December 2020 (audited)	3,630
	<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.

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, are as follows:

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Within 30 days	2,949	14,135
31 to 60 days	196	410
61 to 120 days	395	151
Over 120 days	692	557
	<u>4,232</u>	<u>15,253</u>

As at 30 June 2021, the balance of HK\$1,657,000 (31 December 2020: HK\$12,829,000) 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 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Not impaired	<u>4,232</u>	<u>15,253</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.

15. LOANS RECEIVABLE

	As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
Gross loan and interest receivables	10,477	11,272
Less: Provision for impairment loss	<u>(592)</u>	<u>(240)</u>
	<u>9,885</u>	<u>11,032</u>

As at 30 June 2021, loans receivable with gross principal amount of HK\$10,204,000 (31 December 2020: HK\$11,204,000) in aggregate and related gross interest receivables of HK\$273,000 (31 December 2020: HK\$68,000) were due from two (31 December 2020: three) independent third parties. These loans are interest-bearing at rates ranging from 12% to 15% (31 December 2020: 10% to 15%) per annum and was repayable within twelve months from the end of the reporting period and therefore were classified as current assets as at 30 June 2021 and 31 December 2020.

As at 30 June 2021, the Group hold collateral over loans receivable with gross principal amount of nil (31 December 2020: HK\$6,000,000). Impairment loss of HK\$352,000 (year ended 31 December 2020: HK\$240,000) has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2021.

16. FINANCE LEASE RECEIVABLES

	As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
Gross finance lease receivables	169,470	168,518
Less: Provision for impairment loss	<u>(169,470)</u>	<u>(168,518)</u>
	<u>—</u>	<u>—</u>

16. FINANCE LEASE RECEIVABLES (CONTINUED)

Amount receivable under finance leases

	Minimum lease payment		Present value of minimum lease payment	
	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Within one year	184,013	182,899	169,470	168,518
Unearned finance income	(14,543)	(14,381)	N/A	N/A
Present value of minimum lease payment	169,470	168,518	169,470	168,518
Less: Provision for impairment loss	(169,470)	(168,518)	(169,470)	(168,518)
	—	—	—	—

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 2021 and 31 December 2020.

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.

For the six months ended 30 June 2021, reversal of impairment loss of HK\$950,000 has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income (year ended 31 December 2020: impairment loss of HK\$78,049,000).

17. BANK BALANCES AND CASH

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Bank balances — trust accounts (<i>Note</i>)	46,909	27,378
Bank balances and cash — general accounts	26,078	27,610
	72,987	54,988

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.

17. BANK BALANCES AND CASH (CONTINUED)

As at 30 June 2021, the Group's bank balances and cash — general accounts amounted to approximately HK\$26,078,000 (31 December 2020: approximately HK\$27,610,000), approximately HK\$78,000 was denominated in RMB and of approximately HK\$26,000,000 was denominated in Hong Kong dollars (31 December 2020: approximately HK\$78,000 and approximately HK\$27,532,000 respectively).

18. BORROWINGS

	As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
Bank borrowings, unsecured	<u>531</u>	<u>851</u>
	<u><u>531</u></u>	<u><u>851</u></u>

The abovementioned bank borrowings is charged at a fixed rate of 5.75% (31 December 2020: 5.75%) per annum.

19. LEASE LIABILITIES

	As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
Minimum lease payments due — Within one year	<u>1,135</u>	<u>3,407</u>
	<u><u>1,135</u></u>	<u><u>3,407</u></u>
Less: future finance charges	<u>(9)</u>	<u>(53)</u>
Present value of lease liabilities	<u><u>1,126</u></u>	<u><u>3,354</u></u>
	As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
Within one year	<u>1,126</u>	<u>3,354</u>
	<u><u>1,126</u></u>	<u><u>3,354</u></u>

20. 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 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Within 30 days	48,794	39,506
31 to 60 days	—	—
61 to 120 days	—	134
Over 120 days	1,357	1,224
	<u>50,151</u>	<u>40,864</u>

As at 30 June 2021, the balance of HK\$48,517,000 (31 December 2020: HK\$39,295,000) represented the trade payables arising from securities brokerage services.

21. CONVERTIBLE BONDS

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

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
At beginning of the period/year	73,872	116,344
Interest charged	5,617	12,136
Issuance of convertible bonds	—	25,492
Modification of the term of convertible bonds	—	(46,110)
Redemption of convertible bonds	—	(33,990)
	<u>79,489</u>	<u>73,872</u>

21. 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, 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 (“**Team Sunny CB**”) in the principal amount of HK\$39,805,651 (which are convertible into conversion shares at the conversion price of HK\$0.110 per conversion 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.

On 17 June 2021, upon the effective of the share consolidation on the basis that every ten issued and unissued shares of the Company (the “**Share(s)**”) of par value of HK\$0.01 each in the share capital of the Company be consolidated into one consolidated share of par value of HK\$0.1 each, the conversion price of Team Sunny CB adjusted to HK\$1.100 per conversion share.

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.

On 17 June 2021, upon the effective of the share consolidation on the basis that every ten issued and unissued Shares of par value of HK\$0.01 each in the share capital of the Company be consolidated into one consolidated share of par value of HK\$0.1 each, the conversion price of 2008 CBs adjusted to HK\$1.100 per conversion share.

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.

22. SHARE CAPITAL

	<i>Notes</i>	Number of shares in '000	Amount HK\$'000
Authorised:			
At 1 January 2020, 31 December 2020 and 1 January 2021			
Ordinary shares of HK\$0.01 each		20,000,000	200,000
Share consolidation	1	<u>(18,000,000)</u>	<u>—</u>
At 30 June 2021			
Ordinary shares of HK\$0.1 each		<u>2,000,000</u>	<u>200,000</u>
Issued and fully paid:			
At 1 January 2020			
Ordinary shares of HK\$0.01 each		262,200	2,622
Issuance of shares upon rights issue	3	1,048,803	10,488
Issuance of shares upon exercise of share options	4	<u>12,240</u>	<u>122</u>
At 31 December 2020 and 1 January 2021			
Ordinary shares of HK\$0.01 each		1,323,243	13,232
Issuance of shares upon exercise of share options	2	62,000	620
Share consolidation	1	<u>(1,246,719)</u>	<u>—</u>
At 30 June 2021			
Ordinary shares of HK\$0.1 each		<u>138,524</u>	<u>13,852</u>

22. SHARE CAPITAL (CONTINUED)

Notes:

- Pursuant to an ordinary resolution passed in the extraordinary general meeting of the Company on 15 June 2021, every ten issued and unissued Shares of HK\$0.01 each were consolidated into one consolidated share of the Company of HK\$0.1 each with effective on 17 June 2021.
- During the six months ended 30 June 2021, share options to subscribe for 62,000,000 ordinary Shares were exercised. The net consideration was HK\$930,000 of which HK\$620,000 was credited to share capital account and the balance of HK\$310,000 was credited to the share premium account. An amount of HK\$468,000 was transferred from share option reserve account to share premium account upon the exercise of the share options.
- On 22 June 2020, the Company completed a rights issue (the “**2020 Rights Issue**”) on the basis of four rights shares for every one Shares 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. Gross 2020 Rights Issue proceeds of HK\$115,368,000 of which HK\$10,488,000 was credited against share capital and the remaining proceeds of HK\$104,880,000 after offsetting the share issuance costs of HK\$1,552,000 were credited against the share premium account.
- On 20 November 2020, share options to subscribe for 12,240,000 ordinary Shares were exercised. The net consideration was HK\$184,000 of which HK\$122,000 was credited to share capital account and the balance of HK\$62,000 was credited to the share premium account. An amount of HK\$102,000 was transferred from share option reserve account to share premium account upon the exercise of the share options.

23. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere to the unaudited condensed consolidated financial statements, the Group has the following related party transactions.

Name of related party	Relationship	Nature of transaction	Three months ended 30 June		Six months ended 30 June	
			2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Wong Hin Shek	Director	Loan interest charged	—	254	—	380
		Commission income from dealing in securities	1	—	67	—
			<u>1</u>	<u>254</u>	<u>67</u>	<u>380</u>
Related companies	Common director	Corporate consulting service income	371	—	681	—
		Commission income from dealing in securities	—	—	9	—
			<u>371</u>	<u>—</u>	<u>690</u>	<u>—</u>

Total compensation paid to key management personnel during the six months ended 30 June 2021 amounted to HK\$1,551,000 (six months ended 30 June 2020: HK\$443,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

During the six months ended 30 June 2021, the Group is principally engaged in (i) financial services business including 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; and (iii) trading business.

For the six months ended 30 June 2021, the Group recorded revenue of approximately HK\$12.1 million (six months ended 30 June 2020: approximately HK\$24.2 million). Loss for the period attributable to owners of the Company was approximately HK\$9.8 million (six months ended 30 June 2020: approximately HK\$54.8 million). Basic and diluted loss per Share was approximately HK\$0.07 (six months ended 30 June 2020: approximately HK\$1.75). The net loss of the Group for the six months ended 30 June 2021 of approximately HK\$9.5 million was mainly attributable to (i) the absence of reversal of impairment loss on other receivables of approximately HK\$9.0 million; (ii) the absence of impairment loss on finance lease receivables of approximately HK\$78.0 million; and (iii) a decrease in gross profit of approximately HK\$6.2 million due to the prolonged adverse effect on economy brought by constant spread of coronavirus (“COVID-19”) that the value and volume of transactions in both financial services business and corporate consulting business segments was slightly reduced.

Should the reversal of impairment loss on other receivables and impairment loss on finance lease receivables be excluded, the net loss of the Group for the six months ended 30 June 2020 would be approximately HK\$10.2 million. The net loss of approximately HK\$9.5 million for the six months ended 30 June 2021 represented a slightly decrease as compared to the net loss of approximately HK\$10.2 million for the six months ended 30 June 2020.

Financial services business

The revenue for the six months ended 30 June 2021 of the financial services business was approximately HK\$7.0 million (six months ended 30 June 2020: approximately HK\$11.7 million) and a segment profit of approximately HK\$4.2 million (six months ended 30 June 2020: approximately HK\$6.5 million). The slightly decrease in segment profit was mainly due to reduction in the value and volume of transactions in the businesses of corporate finance advisory and asset management services that the business opportunities were much diminished during the current uncertain economic environment caused by the COVID-19 pandemic.

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.

During the six months ended 30 June 2021, the corporate financial advisory services and assets management services generated revenue of approximately HK\$4.4 million and HK\$0.9 million respectively (six months ended 30 June 2020: HK\$7.3 million and HK\$3.9 million respectively), represented approximately 36.4% and 7.4% of the total revenue of the Group respectively. Both businesses of corporate financial advisory services and assets management services continuously generated stable revenue stream and contributed operating profit to the Group.

As at 30 June 2021, the Group had loans receivable with gross principal amount of approximately HK\$10.2 million (31 December 2020: HK\$11.2 million). The Group recorded interest income from loans receivable of approximately HK\$0.8 million for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

The loan portfolio comprises loans to independent third party borrowers with term ranging from 5 months to 12 months and interest rate from 12% to 15% per annum.

The Group has adopted a credit policy to manage its money lending business which includes compliance with all applicable laws and regulations, credit assessment on potential borrower and his/its assets, the credibility of the potential borrower, the necessity in obtaining collaterals and determination of suitable interest rate to reflect the risk level of the provision of loan.

The Group has performed credit risk assessment before granting the loans by (a) reviewing the financial information of the potential borrower; and (b) performing an assessment on the financial condition of the potential borrower and its shareholder (for enterprises), such as the type and value of assets owned by the potential borrower.

The Group also assesses and decides the necessity and the value of security/collateral for granting of each loan, whether to an individual or enterprise, on a case by case basis considering factors, including but not limited to, the repayment history, results of public search towards the borrower, the value and location of the assets owned by the borrower and the financial condition of the borrower.

Corporate consulting business

The performance of corporate consulting business remained stable that it generated revenue of approximately HK\$2.8 million (six months ended 30 June 2020: approximately HK\$3.6 million) and recorded a segment loss of approximately HK\$0.08 million (six months ended 30 June 2020: segment profit of approximately HK\$0.9 million) during the six months ended 30 June 2021. The slightly increase in segment loss was mainly due to slightly reduction in the volume of transactions in the corporate consulting business under the current uncertain economic climate caused by the outbreak of COVID-19.

Trading business

The revenue of the trading business for the six months ended 30 June 2021 was approximately HK\$2.3 million (six months ended 30 June 2020: approximately HK\$8.9 million) and a segment loss of approximately HK\$0.2 million (six months ended 30 June 2020: approximately HK\$0.2 million). The decrease in revenue was mainly due to the cross border restriction imposed by the Hong Kong Government, the number of customers, especially those from the PRC, dropped dramatically.

Financial assets at fair value through profit or loss

As at 30 June 2021, the Group manage a listed security investment with fair value of approximately HK\$1.1 million (31 December 2020: HK\$1.0 million). The Board is always cautious of the prospects of the trading performance of the Group's portfolio of listed securities investments.

Details of the listed security investment as at 30 June 2021 and 31 December 2020 and gains for the six months ended 30 June 2021 and 2020 are as below:

Gains for the six months ended 30 June 2021

Name of listed securities	Stock code	Realised gains <i>HK\$'000</i>	Unrealised gains <i>HK\$'000</i>	Dividend received <i>HK\$'000</i>
Evergrande Property Services Group Limited	6666	—	92	—

Financial assets at fair value through profit or loss as at 30 June 2021

Name of listed securities	Stock code	Brief description of the business	Number of shares held	Proportion of shares held	Investment cost <i>HK\$'000</i>	Market value <i>HK\$'000</i>	Approximate Percentage to total assets value of the Group
Evergrande Property Services Group Limited	6666	Integrated commercial properties service business	113,000	0.001%	995	1,102	1.0%

Gains for the six months ended 30 June 2020

Name of listed securities	Stock code	Realised gains <i>HK\$'000</i>	Unrealised gains <i>HK\$'000</i>	Dividend received <i>HK\$'000</i>
Evergrande Property Services Group Limited	6666	—	—	—

Financial assets at fair value through profit or loss as at 31 December 2020

Name of listed securities	Stock code	Brief description of the business	Number of shares held	Proportion of shares held	Investment cost <i>HK\$'000</i>	Market value <i>HK\$'000</i>	Approximate Percentage to total assets value of the Group
Evergrande Property Services Group Limited	6666	Integrated commercial properties service business	113,000	0.001%	995	1,010	0.9%

OUTLOOK

Financial services business

Given the outstanding performance of the businesses of corporate financial advisory services, asset management services and money lending services, the Group will continue to expand the clients base and establish a strong track record in order to strengthen the businesses in the coming future. For the securities brokerage services business, the Group will explore the involvement in the share placement activities to enhance its revenue stream. Furthermore, the Group will continue to explore new business opportunities in financial technology industry (“**Fin-tech**”) to capture the potential growth of the booming of Fin-tech to create synergy effect with the Group’s existing financial services business, including the securities brokerage services, corporate finance advisory services, money lending services and asset management 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 was continued to be more difficult and challenging in the near term. The Board has taken various proactive measures, including but not limited to, develop an online platform of trading of goods, components and accessories, to minimise the impact of COVID-19 on the trading business operations. Given the availability of COVID-19 vaccine in 2021, the performance of the trading business would be improved gradually.

CONVERTIBLE BONDS

2008 Convertible Bonds

On 10 January 2020, the Company and the CB Holders 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.

On 17 June 2021, upon the effective of the share consolidation on the basis that every ten issued and unissued Shares of par value of HK\$0.01 each in the share capital of the Company be consolidated into one consolidated share of par value of HK\$0.10 each, the conversion price of 2008 CBs adjusted to HK\$1.10 per conversion share.

As at 30 June 2021, the Company had 2008 CBs with principal amount of HK\$69.1 million conferring rights to convert into a total of 62,789,090 Shares with the conversion price of HK\$1.10 per conversion 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 conversion share (subject to adjustments)) for the settlement of the outstanding debt due from the Company to Mr. Wong Hin Shek 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, an executive Director, the Chairman and the Chief Executive Officer of the Company (which will be assigned to Team Sunny by Mr. Wong at the completion of the subscription to facilitate the setoff); 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 CB in the principal amount of HK\$39,805,651 were issued to Team Sunny.

On 17 June 2021, upon the effective of the share consolidation on the basis that every ten issued and unissued Shares of par value of HK\$0.01 each in the share capital of the Company be consolidated into one consolidated share of par value of HK\$0.1 each, the conversion price of Team Sunny CB adjusted to HK\$1.10 per conversion share.

As at 30 June 2021, the Company had Team Sunny CB with principal amount of HK\$39.8 million conferring rights to convert into a total of 36,186,955 Shares with the conversion price of HK\$1.10 per conversion Share.

DIVIDENDS

The Board resolved not to recommend the payment of any dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 30 June 2021, the Group recorded cash and bank balances (included trust accounts) amounting to approximately HK\$73.0 million (31 December 2020: approximately HK\$55.0 million) and the net current assets value was approximately HK\$2.5 million (31 December 2020: approximately HK\$2.6 million).

The Group's gearing ratio as at 30 June 2021 was approximately 0.72 (31 December 2020: approximately 0.69), being a ratio of total interest-bearing debts, includes bank borrowings and convertible bonds of approximately HK\$80.0 million (31 December 2020: approximately HK\$74.7 million) to the total assets of approximately HK\$111.7 million (31 December 2020: approximately HK\$108.2 million).

USE OF PROCEEDS FROM 2020 RIGHTS ISSUE

The Company completed the rights issue on 22 June 2020 (the “**2020 Rights Issue**”), pursuant to which the Company has issued 1,048,802,876 Shares as rights shares at HK\$0.110 per rights share on the basis of four rights shares for every one Share held on 28 May 2020. The net proceeds from the 2020 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 2020 Rights Issue was approximately HK\$0.106.

The intended and actual use of the net proceeds from the 2020 Rights Issue is stated as below:

Amount		
HK\$ million	Intended use	Actual use
55.00	Repayment of the 2008 CBs to Mr. Cheung Wai Yin, Wilson	Fully utilised as intended
12.64	Repayment of the Mr. Cheung Wai Yin, Wilson advance to the Company	Fully utilised as intended
14.86	Repayment of the promissory notes issued by the Company on 4 April 2014	Fully utilised as intended
28.30	General working capital and future investment	Fully utilised as intended
<hr/>		
110.80		
<hr/> <hr/>		

PLEDGE OF ASSETS

As at 30 June 2021, the Group had no pledged assets (31 December 2020: Nil).

CAPITAL STRUCTURE

During the six months ended 30 June 2021, 62,000,000 share options of the Company (the “**Share Options**”) were exercised.

On 17 June 2021, the Company implemented a share consolidation (the “**Share Consolidation**”) on the basis that every ten issued and unissued Shares of HK\$0.01 each were consolidated into one consolidated share of the Company of HK\$0.1 each.

Save as disclosed, the Company had no changes in capital structure during the six months ended 30 June 2021.

INVESTMENT POSITION AND PLANNING

During the six months ended 30 June 2021, the Group had no material acquisition and disposal.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group employed 37 staff (31 December 2020: 40). 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 six months ended 30 June 2021.

EVENT AFTER THE REPORTING PERIOD

Rights Issue on the basis of five (5) rights shares for every two (2) share held on 28 June 2021 (the “2021 Rights Issue”)

On 22 July 2021, the Company completed the 2021 Rights Issue and allotted and issued 346,310,897 Shares, on the basis of five (5) rights shares for every two (2) Share held on 28 June 2021 at the subscription price of HK\$0.15 per rights share. The net proceeds raised from the 2021 Rights Issue Were approximately HK\$49.79 million.

Details were set out in the Company's announcements dated 12 April 2021, 3 May 2021, 15 June 2021, 29 June 2021 and 21 July 2021, the Company's circular dated 25 May 2021 and the Company's prospectus dated 29 June 2021.

Acceptance of offers for the renewal of leasing of office premises

On 2 August 2021, each of the Company and Merdeka Credit Limited, an indirect wholly-owned subsidiary of the Company, entered into the offer letters (the "**Offer Letters**") in relation to an acceptance of terms in respect of the intended renewal of leasing of Rooms 1107–1110, Wing On Centre, 111 Connaught Road Central, Hong Kong for a term of three years commencing on 1 November 2021 and ending on 31 October 2024.

Details were set out in the Company's announcement dated 2 August 2021.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Share Option Scheme**") approved and adopted by the shareholders of the Company (the "**Shareholder**") in an extraordinary general meeting on 30 December 2020. 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. Apart from the Share Option Scheme, the Company has no other share option scheme currently in force.

During the period for the six months ended 30 June 2021, a total of 132,320,000 Share Options were granted and a total of 62,000,000 Share Options were exercised under the Share Option Scheme. Save and except for the aforesaid, no Share Option was granted, exercised, cancelled, expired or lapsed during the period.

Details of the movements of the Share Options under the Share Option Scheme and the Old Share Option Scheme (as defined below) during the period were as follows:

Grantees/Capacity	Number of Share Options					Outstanding as at 30 June 2021	Date of grant	Exercise period	Price of the Shares before the date of grant (Note 2) Per Share	Exercise price (Note 1) Per Share	Adjusted exercise price of the Share Options during the period upon effective of the Share Consolidation
	Outstanding as at 1 January 2021	Granted during the period	Exercised during the period (Note 3)	Cancelled/ Lapsed during the period	Adjusted during the period upon effective of the Share Consolidation						
Executive Director											
Ms. Tsang Kwai Ping	—	9,000,000	(9,000,000)	—	—	—	20/1/2021	20/1/2021– 19/1/2026	0.014	0.015	0.15
Independent non-executive Directors											
Ms. Ng Ka Sim, Casina	—	1,000,000	—	—	(900,000)	100,000	20/1/2021	20/1/2021– 19/1/2026	0.014	0.015	0.15
Mr. Wong Wing Kit	—	1,000,000	—	—	(900,000)	100,000	20/1/2021	20/1/2021– 19/1/2026	0.014	0.015	0.15
Ms. Yeung Mo Sheung, Ann	—	1,000,000	—	—	(900,000)	100,000	20/1/2021	20/1/2021– 19/1/2026	0.014	0.015	0.15
Employees and other eligible participants											
Employees of the Group	—	33,000,000	(1,000,000)	—	(28,800,000)	3,200,000	20/1/2021	20/1/2021– 19/1/2026	0.014	0.015	0.15
Other eligible participants	35,854 (Note 4)	—	—	—	(32,269)	3,585	30/5/2012	30/5/2012– 29/5/2022	0.017	33.33	333.33
	—	87,320,000	(52,000,000)	—	(31,788,000)	3,532,000	20/1/2021	20/1/2021– 19/1/2024	0.014	0.015	0.15
	<u>35,854</u>	<u>132,320,000</u>	<u>(62,000,000)</u>	<u>—</u>	<u>(63,320,269)</u>	<u>7,035,585</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 weighted average closing price of the Shares immediately before the dates on which the Share Options were exercise was approximately HK\$0.0224 per Share.
4. Share Options under the old share option scheme of the Company (the "Old Share Option Scheme") which adopted by the Company on 3 May 2012 and terminated in an extraordinary general meeting on 30 December 2020.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES OF THE COMPANY

As at 30 June 2021, 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 Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (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:

Long positions in the Shares and underlying 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 <i>(Note 3)</i> (%)
Mr. Wong Hin Shek <i>(Note 1)</i>	Controlled corporation	136,755,500 <i>(Note 2)</i>	86,186,955	222,942,455	160.94
Mr. Cheung Wai Yin, Wilson	Beneficial owner	5,578	—	5,578	0.004
Ms. Tsang Kwai Ping	Beneficial owner	900,000	—	900,000	0.65
Ms. Ng Ka Sim, Casina	Beneficial owner	—	100,000	100,000	0.07
Mr. Wong Wing Kit	Beneficial owner	—	100,000	100,000	0.07
Ms. Yeung Mo Sheung, Ann	Beneficial owner	—	100,000	100,000	0.07

Notes:

- (1) The interest is held by Team Sunny, a company incorporated in the British Virgin Islands owned as to 100% by Mr. Wong.
- (2) The figure represents 39,073,000 Shares held by Team Sunny as of 30 June 2021 and 97,682,500 rights shares to be subscribed by Team Sunny upon completion of the 2021 Rights Issue under an irrevocable undertaking signed by Team Sunny on 12 April 2021.
- (3) The percentage has been calculated based on 138,524,359 Shares in issue as at 30 June 2021.

Save as disclosed above and so far as is known to the Directors, at 30 June 2021, 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 under the sections headed "Directors' and Chief Executive's Interests in Securities of the Company" and "Share Option Scheme" above, at no time during the period for the six months ended 30 June 2021 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 SECURITIES OF THE COMPANY

As at 30 June 2021, 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:

Long positions in the Shares and underlying Shares:

Name of Shareholder	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 <small>(Note 3)</small> (%)
Team Sunny <small>(Note 1)</small>	Beneficial owner	136,755,500 <small>(Note 2)</small>	86,186,955	222,942,455	160.94

Notes:

- (1) The interest is held by Team Sunny, a company incorporated in the British Virgin Islands owned as to 100% by Mr. Wong Hin Shek.
- (2) The figure represents 39,073,000 Shares held by Team Sunny as of 30 June 2021 and 97,682,500 rights shares to be subscribed by Team Sunny upon completion of the 2021 Rights Issue under an irrevocable undertaking signed by Team Sunny on 12 April 2021.
- (3) The percentage has been calculated based on 138,524,359 Shares in issue as at 30 June 2021.

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 2021, 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 by the Company under section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Ms. Tsang Kwai Ping, an executive Director, is a director of Bridgeharbour (HK) Management Service Company Limited (“BMSCL”), 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. The business of BMSCL competes or is likely to compete, either directly or indirectly of the company secretarial services business of the Group. To safeguard the Group’s interest, 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.

As the Board is independent of the board of the aforesaid company and maintains three independent non-executive Directors, the Group operates its businesses independently of, and at arm’s length from, the businesses of the aforesaid company.

For the six months ended 30 June 2021, 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.

UPDATE ON DIRECTOR(S)’ INFORMATION

The following change in the information of the director(s) occurred on or after the date of the 2020 Annual Report which is required to be disclosed pursuant to rule 17.50A(1) of the GEM Listing Rules.

On 27 May 2021, Mr. Wong Hin Shek, the Chairman, the Chief Executive Officer and an executive Director of the Company, ceased to act as the chairman and an executive director of DeTai New Energy Group Limited (stock code: 559), a company listed on the Main Board of the Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS BY 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 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the period for the six months ended 30 June 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the period ended 30 June 2021, 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 Corporate Governance Code in Appendix 15 of the GEM Listing Rules except for the deviation from code provision A.2.1 which is explained below:

The code provision A.2.1 provides that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Wong Hin Shek currently assumes the roles of both the Chairman and the Chief Executive Officer. The Board considered (1) Mr. Wong 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; (2) having the same individual in both roles as the Chairman and the Chief Executive Officer could ensure the leadership consistency and could make and implement the overall strategy of the Group more effectively; and (3) the current structure of the Board does not compromise the balance of power and authority between the Board and the management of the Company. The Board will regularly review the effectiveness of this structure to ensure that it is appropriate to the Group’s circumstances.

AUDIT COMMITTEE

The Company has established the audit committee of the Company (the “**Audit Committee**”) with specific written terms of reference formulated in accordance with the requirements of the GEM Listing Rules. The main duties of the Audit Committee are to (i) review the quarterly, half-yearly and annual results of the Group; (ii) review the risk management and internal control systems, the effectiveness of the internal audit function of the Group; and (iii) 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 of 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 2021 and this announcement, and was of the opinion that such results and this announcement had 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
Wong Hin Shek
Chairman and Chief Executive Officer

Hong Kong, 13 August 2021

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