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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 AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 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 “**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.*

RESULTS

The board (the “**Board**”) of the Directors of Merdeka Financial Group Limited hereby announces that the audited annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021, together with comparative figures from the previous corresponding year, summarised as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
REVENUE	4.1	24,539	39,861
Cost of sales		<u>(2,946)</u>	<u>(9,496)</u>
Gross profit		21,593	30,365
Other income and gains/(losses)	5	(2,984)	(2,970)
Operating and administrative expenses		(34,147)	(39,476)
Impairment loss on intangible assets	12	—	(1,600)
Impairment loss on trade receivables	16	(232)	(1,592)
(Impairment loss)/reversal of impairment loss on deposits and other receivables	17	(14)	8,509
Impairment loss on loans receivable	18	(32)	(240)
Reversal of impairment loss/(impairment loss) on finance lease receivables	19	950	(78,049)
Gain on deregistration of subsidiaries	26(a), (b) & (e)	26	1,057
Loss on deconsolidation of subsidiaries	26(d)	(4,052)	—
Finance costs	6	<u>(11,922)</u>	<u>(13,315)</u>
LOSS BEFORE INCOME TAX	7	(30,814)	(97,311)
Income tax credit/(expense)	8	<u>26</u>	<u>(471)</u>
LOSS FOR THE YEAR		<u>(30,788)</u>	<u>(97,782)</u>

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

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other comprehensive income:			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(89)	(3,413)
Release of exchange reserve upon deconsolidation of subsidiaries	26(d)	14,004	—
<i>Item that will not be subsequently reclassified to profit or loss:</i>			
Changes in fair value of financial assets at fair value through other comprehensive income	14	<u>(545)</u>	<u>698</u>
Other comprehensive income for the year		<u>13,370</u>	<u>(2,715)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(17,418)</u>	<u>(100,497)</u>
Loss for the year attributable to:			
Owners of the Company		(31,123)	(71,711)
Non-controlling interests		<u>335</u>	<u>(26,071)</u>
		<u>(30,788)</u>	<u>(97,782)</u>
Total comprehensive income attributable to:			
Owners of the Company		(17,844)	(73,840)
Non-controlling interests		<u>426</u>	<u>(26,657)</u>
		<u>(17,418)</u>	<u>(100,497)</u>
LOSS PER SHARE TO OWNERS OF THE COMPANY			(Restated)
Basic and diluted	10	<u>(HK\$0.11)</u>	<u>(HK\$0.88)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		3,055	750
Statutory deposit		510	510
Goodwill	11	5,470	5,470
Intangible assets	12	3,394	3,622
Right-of-use assets	13	10,142	3,630
Financial assets at fair value through other comprehensive income	14	2,185	2,730
Financial assets at fair value through profit or loss	15	390	487
Rental deposits	17	1,358	—
Total non-current assets		26,504	17,199
Current assets			
Inventories		279	377
Trade receivables	16	8,160	15,253
Prepayments, deposits and other receivables	17	764	8,339
Loans receivable	18	5,142	11,032
Finance lease receivables	19	—	—
Financial assets at fair value through profit or loss	15	298	1,010
Bank balances — trust accounts		11,383	27,378
Bank balances and cash — general accounts		36,360	27,610
Total current assets		62,386	90,999
Current liabilities			
Borrowings	20	—	851
Lease liabilities	21	3,314	3,354
Promissory note		—	—
Trade payables	22	16,474	40,864
Other payables and accruals	23	3,561	42,801
Tax payables		94	559
Total current liabilities		23,443	88,429
Net current assets		38,943	2,570
Total assets less current liabilities		65,447	19,769

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 31 December 2021*

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		560	598
Convertible bonds	24	85,557	73,872
Lease liabilities	21	6,825	—
Total non-current liabilities		92,942	74,470
Net liabilities		(27,495)	(54,701)
EQUITY			
Share capital	25	48,506	13,232
Reserves		(76,001)	(76,015)
Equity attributable to owners of the Company		(27,495)	(62,783)
Non-controlling interests		—	8,082
Total deficiency		(27,495)	(54,701)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited company incorporated in the Cayman Islands and its share are listed on GEM. Its registered office is located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is located at Room 1108, 11/F, Wing On Centre, 111 Connaught Road Central, Central, Hong Kong. The Directors consider the immediate holding company and ultimate holding company to be Team Sunny International Holdings Limited, a company incorporated in the British Virgin Islands.

During the year ended 31 December 2021, the principal activity of the Company was investment holding. The principal activities of the subsidiaries comprised of financial services business, corporate consulting business and trading business.

2. BASIS OF PREPARATION

The consolidated financial statements 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 the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules. The adoption of new and revised HKFRSs and the impacts on the Group’s consolidated financial statements, if any, are disclosed in note 3.

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

The financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated.

In preparing the consolidated financial statements, the Directors have given consideration to the future liquidity of the Group in light of the Group incurred a net loss of approximately HK\$30,788,000 for the year ended 31 December 2021 and, as of that date, the Group had net liabilities of approximately HK\$27,495,000 as at 31 December 2021.

These conditions indicate the existence of material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The consolidated financial statements have been prepared on a going concern basis as the Directors are satisfied that the liquidity of the Group can be maintained in the coming year taking into consideration of the following matter:

- An undertaking letter has been obtained from a convertible bond holder for no intention to demand repayment of convertible bond due from the Group after the maturity date until the Group has sufficient financial resources to satisfy its future working capital, other financial requirements and repay the convertible bond.

2. BASIS OF PREPARATION *(Continued)*

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for future liabilities which might arise and to reclassify non-current assets and non-current liabilities to current respectively. The effect of these adjustments has not been reflected in the consolidated financial statements. The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

(a) Adoption of new/revised HKFRSs

In the current year, the Company and its subsidiaries (collectively referred to as the “Group”) has applied for the first time the following amendments issued by the HKICPA, which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2021:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The adoption of the new/revised HKFRSs has no material impact on the Group’s consolidated financial statements.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction ³
Amendments to HKAS 16	Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS Standards	Annual Improvements to HKFRSs 2018–2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies to decide what accounting policy information should be disclosed. The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments to HKAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations — transactions for which companies recognise both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Interpretation 21 Levies, the acquirer applies HK(IFRIC)-Interpretation 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKFRS Standards, Annual Improvements to HKFRSs 2018–2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarify the fees included in the “10 per cent” test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The Group is in the process of making an assessment of the potential impacts of these new pronouncements/revised HKFRSs upon application.

4. REVENUE AND SEGMENT REPORTING

- 4.1 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 year.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Financial services business	15,425	21,782
Corporate consulting business	5,770	7,748
Trading business	3,344	10,331
	<u>24,539</u>	<u>39,861</u>
Timing of revenue recognition:		
— At a point in time	4,348	11,386
— Over time	18,821	28,240
	<u>23,169</u>	39,626
Interest income	1,370	235
	<u>24,539</u>	<u>39,861</u>

4.2 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 executive Directors.

During the year ended 31 December 2021, 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 information technology business segment. For the purpose of better assessment of individual segment performance, the assets/liabilities and performance of this business segment are grouped into “unallocated” column, therefore certain information for the year ended 31 December 2020 had been re-presented to conform with current year presentation.

4. REVENUE AND SEGMENT REPORTING (Continued)

4.2 Segment reporting (Continued)

(a) Reportable segments (Continued)

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:

There were no inter-segment transactions between different operating segments for the year (2020: Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision-maker for assessment of segment performance.

- (a) The financial services business includes the securities brokerage business, provision of corporate finance advisory services, asset management business and money lending 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.

(b) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 December 2021

<i>HK\$'000</i>	Financial services business	Corporate consulting business	Trading business	Total
Segment revenue	<u>15,425</u>	<u>5,770</u>	<u>3,344</u>	<u>24,539</u>
Segment profit/(loss)	<u>8,526</u>	<u>167</u>	<u>(6,638)</u>	<u>2,055</u>
Finance costs				(11,774)
Gain on deregistration of subsidiaries				26
Loss on deconsolidation of subsidiaries				(4,052)
Reversal of impairment loss on finance lease receivables				950
Unallocated corporate expenses (Note)				<u>(18,019)</u>
Loss before income tax				<u>(30,814)</u>

4. REVENUE AND SEGMENT REPORTING (Continued)

4.2 Segment reporting (Continued)

(b) Segment revenue and results (Continued)

For the year ended 31 December 2020

<i>HK\$'000</i>	Financial services business	Corporate consulting business	Trading business	Total
Segment revenue	<u>21,782</u>	<u>7,748</u>	<u>10,331</u>	<u>39,861</u>
Segment profit/(loss)	<u>4,538</u>	<u>1,159</u>	<u>(664)</u>	<u>5,033</u>
Finance costs				(13,059)
Gain on deregistration of subsidiaries				1,057
Reversal of impairment loss on deposits and other receivables				8,509
Impairment loss on finance lease receivables				(78,049)
Unallocated corporate expenses (<i>Note</i>)				<u>(20,802)</u>
Loss before income tax				<u>(97,311)</u>

Note: Unallocated corporate expenses mainly included staff salaries, directors' remuneration and office rental expenses for the years ended 31 December 2021 and 2020.

4. REVENUE AND SEGMENT REPORTING (Continued)

4.2 Segment reporting (Continued)

(c) Segment assets and liabilities

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Segment assets		
Financial services business	48,926	69,705
Corporate consulting business	9,428	11,710
Trading business	534	6,400
	<hr/>	<hr/>
Total segment assets	58,888	87,815
Unallocated bank balances and cash	14,927	11,309
Unallocated corporate assets (Note)	15,075	9,074
	<hr/>	<hr/>
Consolidated total assets	88,890	108,198
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Financial services business	18,167	44,034
Corporate consulting business	240	973
Trading business	3,561	3,415
	<hr/>	<hr/>
Total segment liabilities	21,968	48,422
Convertible bonds	85,557	73,872
Unallocated corporate liabilities (Note)	8,860	40,605
	<hr/>	<hr/>
Consolidated total liabilities	116,385	162,899
	<hr/> <hr/>	<hr/> <hr/>

Note: Unallocated corporate assets mainly comprised of unallocated right-of-use assets.

Unallocated corporate liabilities mainly comprised of unallocated lease liabilities and accrued headquarter expenses.

4. REVENUE AND SEGMENT REPORTING (Continued)

4.2 Segment reporting (Continued)

(d) Other segment information

For the year ended 31 December 2021

	Financial services business HK\$'000	Corporate consulting business HK\$'000	Trading business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (other than financial assets)	2,382	—	—	11,804	14,186
Depreciation of property, plant and equipment	(1)	—	—	(1,142)	(1,143)
Depreciation of right-of-use assets	(894)	(1,232)	—	(2,100)	(4,226)
Amortisation of intangible assets	—	(228)	—	—	(228)
(Impairment loss)/reversal of impairment loss on trade receivables	(303)	58	13	—	(232)
(Impairment loss)/reversal of impairment loss on deposits and other receivables	(5)	1	—	(10)	(14)
Impairment loss on loans receivable	(32)	—	—	—	(32)
Written off of deposits and other receivables	—	—	(5,682)	—	(5,682)
Amounts regularly provided to the chief operating decision-maker but not included in the measure of segment profit or loss:					
Reversal of impairment loss on finance lease receivables	950	—	—	—	950
Gain on deregistration of subsidiaries	—	(16)	—	42	26
Loss on deconsolidation of subsidiaries	(4,052)	—	—	—	(4,052)

4. REVENUE AND SEGMENT REPORTING (Continued)

4.2 Segment reporting (Continued)

(d) Other segment information (Continued)

For the year ended 31 December 2020

	Financial services business HK\$'000	Corporate consulting business HK\$'000	Trading business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (other than financial assets)	—	—	—	65	65
Depreciation of property, plant and equipment	(78)	(3)	—	(839)	(920)
Depreciation of right-of-use assets	(914)	(1,479)	(522)	(1,952)	(4,867)
Amortisation of intangible assets	—	(228)	—	—	(228)
(Impairment loss)/reversal of impairment loss on trade receivables	(1,000)	(824)	232	—	(1,592)
Impairment loss on loans receivable	(240)	—	—	—	(240)
Impairment loss on intangible assets	(1,600)	—	—	—	(1,600)
Written off of deposits and other receivables	—	—	—	(4,400)	(4,400)
Amounts regularly provided to the chief operating decision-maker but not included in the measure of segment profit or loss:					
Reversal of impairment loss/ (impairment loss) on deposits and other receivables	14	(1)	(207)	8,703	8,509
Impairment loss on finance lease receivables	(78,049)	—	—	—	(78,049)
Gain on deregistration of subsidiaries	993	—	64	—	1,057

4. REVENUE AND SEGMENT REPORTING (Continued)

4.2 Segment reporting (Continued)

(e) Geographical information

For the years ended 31 December 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.

(f) Major customers

Revenue from a customer contributing over 10% of the total revenue of the Group is as follow:

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Customer A — financial services business	4,261	N/A
Customer B — financial services business	N/A	7,036

5. OTHER INCOME AND GAINS/(LOSSES)

	2021	2020
	HK\$'000	HK\$'000
Bank interest income	12	15
Other operating income	2,227	870
Changes in fair value of financial assets at fair value through profit or loss	(809)	(655)
Gain on disposal of a subsidiary (note 26(c))	1	—
Waiver of other payables	722	—
Gain on modification of terms of convertible bonds	—	2,502
Derecognition of other payable and promissory note	—	(1,702)
Loss on redemption of convertible bonds	—	(2,444)
Written off of deposits and other receivables	(5,682)	(4,400)
Gain on disposal of property, plant and equipment	—	56
Written off of property, plant and equipment	—	(252)
Government grants (Note)	—	2,175
Sundry income	545	865
	<u>(2,984)</u>	<u>(2,970)</u>

Note: The government grants represented a one-off subsidy under Employment Support Scheme launched by the Government of the Hong Kong Special Administrative Region for the year ended 31 December 2020. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Imputed interest on convertible bonds (<i>Note</i>)	11,685	12,136
Imputed interest on promissory note	—	128
Coupon interest on promissory note	—	27
Interest on bank borrowings	103	90
Interest on bank overdrafts	—	59
Interest on other payables	—	678
Interest on lease liabilities	134	197
	<u>11,922</u>	<u>13,315</u>

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

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(a) Staff costs (including directors' emoluments):		
Salaries, wages and other benefits	17,674	17,718
Pension scheme contributions	525	611
Share-based payment expenses	997	102
	<u>19,196</u>	<u>18,431</u>
(b) Other items:		
Auditor's remuneration	920	920
Depreciation expenses in respect of:		
Property, plant and equipment	1,143	920
Right-of-use assets	4,226	4,867
Amortisation of intangible assets	228	228
Impairment loss on intangible assets	—	1,600
Impairment loss on trade receivables	232	1,592
Impairment loss/(reversal of impairment loss) on deposits and other receivables	14	(8,509)
Impairment loss on loans receivable	32	240
(Reversal of impairment loss)/impairment loss on finance lease receivables	(950)	78,049
	<u>(950)</u>	<u>78,049</u>

8. INCOME TAX (CREDIT)/EXPENSE

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 the year ended 31 December 2020.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
Hong Kong profits tax:		
— Tax for the year	12	1,001
Deferred tax	<u>(38)</u>	<u>(530)</u>
	<u>(26)</u>	<u>471</u>

Income tax for the year can be reconciled to the loss before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before income tax	<u>(30,814)</u>	<u>(97,311)</u>
Tax calculated at the domestic rate of 16.5% (2020: 16.5%)	(5,084)	(16,056)
Effect of different tax rates of subsidiaries operating in other jurisdictions	—	(6,281)
Effect of two-tiered profit tax rate regime	(12)	(165)
Tax effect of income not taxable for tax purpose	(444)	(1,121)
Tax effect of expenses not deductible for tax purposes	4,099	23,701
Tax effect of tax losses not recognised	1,544	393
Utilisation of tax losses previously not recognised	<u>(129)</u>	<u>—</u>
Total income tax (credit)/expense	<u>(26)</u>	<u>471</u>

As at 31 December 2021, the Group has unused tax losses of approximately HK\$85,034,000 (2020: HK\$392,485,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

9. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

10. LOSS PER SHARE

The calculation of basic and diluted loss per share based on the following data:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	<u>(31,123)</u>	<u>(71,711)</u>
	Number of shares	
	2021	2020
	<i>'000</i>	<i>'000</i>
		(Restated)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>291,982</u>	<u>81,935</u>

The calculation of basic and diluted loss per share is based on the loss attributable to ordinary equity shareholders of the Company, and the weighted average number of 291,982,000 (2020: 81,935,000 adjusted for the effect of share consolidation on 17 June 2021 and the bonus element of the rights issue on 22 June 2021) ordinary shares in issue.

Diluted loss per share amount for both periods were not presented because the impact of the exercise of the share options and convertible bonds was anti-dilutive. Potential ordinary shares are dilutive when and only when their conversion into ordinary shares would increase loss per share attributable to owners of the Company.

11. GOODWILL

	<i>HK\$'000</i>
COST:	
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>11,273</u>
ACCUMULATED IMPAIRMENT LOSSES:	
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>5,803</u>
NET CARRYING AMOUNT:	
At 31 December 2021	<u>5,470</u>
At 31 December 2020	<u>5,470</u>

11. GOODWILL (Continued)

For the purpose of impairment testing, goodwill is allocated to the cash generating units (“CGU”) identified as follows:

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Corporate consulting business	<u>5,470</u>	<u>5,470</u>

Notes:

Corporate consulting business

The goodwill was arising from the acquisition of corporate consulting business in the financial year of 2019. The carrying amount of goodwill is HK\$5,470,000 as at 31 December 2021 and 2020.

For the year ended 31 December 2021, the recoverable amount of the cash generating unit of corporate consulting business (the “**Corporate Consulting Business CGU**”) is determined by the Directors with reference to a valuation report issued by an independent qualified valuer. The recoverable amount of the Corporate Consulting Business CGU has been determined from value-in-use calculation. The calculation used cash flow projections based on latest financial budgets approved by the management covering a period of 5 years and at a pre-tax discount rate of 18.04% (2020: 16.27%). The cash flow projections beyond the 5 years periods are extrapolated using a growth rate at 2% (2020: 2%). Cash flow projections during the budget period are based on past performance and the Group management’s expectations for the market development and future performance of the Corporate Consulting Business CGU. The discount rate is determined based on the cost of capital adjusted by the specific risk associated with the Corporate Consulting Business CGU. As the recoverable amount of the Corporate Consulting Business CGU is higher than its carrying amount, the Directors are in opinion that no impairment loss was considered for the year ended 31 December 2021 (2020: Nil).

Financial services business

The goodwill was arising from the acquisition of financial services business in the previous years. Full impairment loss had been recognised in the previous year. The carrying amount of goodwill is Nil as at 31 December 2021 and 2020.

12. INTANGIBLE ASSETS

	Trading right (Note (a)) HK\$'000	Customer relationship (Note (b)) HK\$'000	Total HK\$'000
COST:			
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	5,705	1,140	6,845
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:			
At 1 January 2020	1,205	190	1,395
Impairment loss for the year	1,600	—	1,600
Amortisation for the year	—	228	228
At 31 December 2020 and 1 January 2021	2,805	418	3,223
Amortisation for the year	—	228	228
At 31 December 2021	2,805	646	3,451
NET CARRYING AMOUNT:			
At 31 December 2021	2,900	494	3,394
At 31 December 2020	2,900	722	3,622

Notes:

- (a) The Group holds two trading rights of the business carrying on the regulated activities of Type 1 (dealing in securities) (“**Type 1**”), Type 4 (advising on securities) and Type 9 (asset management) (“**Type 4 & 9**”) as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”). Trading right have indefinite useful life and therefore no amortisation has been provided. The recoverable amount of the trading right is determined by the Directors with reference to a valuation report issued by an independent qualified valuer. The recoverable amount of the trading right of Type 1 has been determined by fair value less cost of disposal, which is primarily making reference to the recent sales of similar transactions in the market. As the recoverable amount of trading right of Type 1 was lower than its carrying amount, the Directors are in opinion that full impairment loss of HK\$1,600,000 has been recognised for the year ended 31 December 2020. The recoverable amount of the trading right of Type 4 & 9 has been determined by value-in-use which is calculated using cash flow projections based on the latest financial budgets approved by the management covering a period of 5 years and at a pre-tax discount rate of 22.74% (2020: 20.29%). The cash flow projections beyond the 5 years periods are extrapolated using a growth rate at 2% (2020: 2%). As the recoverable amount of trading right of Type 4 and 9 is higher than its carrying amount, the Directors are in the opinion that no impairment loss was considered for the year ended 31 December 2021 and 2020.

12. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

- (b) Customer relationship was arising from the acquisition of corporate consulting business in the financial year of 2019.

Customer relationship of HK\$1,140,000 represented the intangible assets arose from the acquisition of corporate consulting business and was valued as of the respective date of acquisition by an independent qualified valuer on the basis of the excess earnings method under the income approach. The management of the Group considered customer relationship has finite useful lives of 5 years and is amortised on a straight-line basis.

13. RIGHT-OF-USE ASSETS

	HK\$'000
COST:	
At 1 January 2020	15,096
Lease modification	(1,832)
Exchange realignment	21
	<u> </u>
At 31 December 2020 and 1 January 2021	13,285
Addition	10,738
Lease modification	(12,542)
Deconsolidation of subsidiaries	(993)
Exchange realignment	10
	<u> </u>
At 31 December 2021	<u>10,498</u>
ACCUMULATED DEPRECIATION:	
At 1 January 2020	6,390
Depreciation for the year	4,867
Lease modification	(1,623)
Exchange realignment	21
	<u> </u>
At 31 December 2020 and 1 January 2021	9,655
Depreciation for the year	4,226
Lease modification	(12,542)
Deconsolidation of subsidiaries	(993)
Exchange realignment	10
	<u> </u>
At 31 December 2021	<u>356</u>
NET CARRYING AMOUNT:	
At 31 December 2021	<u>10,142</u>
At 31 December 2020	<u>3,630</u>

13. RIGHT-OF-USE ASSETS *(Continued)*

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total cash outflow for leases	<u>4,087</u>	<u>5,470</u>

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

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 3 years (2020: 3 years). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On 16 August 2019, the Group acquired 10% of the issue share capital of a private company as financial assets at fair value through other comprehensive income at cash consideration of HK\$2,000,000. As at 31 December 2021, the Group's shareholding in this private company was approximately 9.55% (2020: 9.55%). The carrying amount of financial asset at fair value through other comprehensive income is HK\$2,185,000 (2020: HK\$2,730,000). The decrease in fair value of this financial asset of approximately HK\$545,000 (2020: increase in fair value of approximately HK\$698,000) has been dealt with in other comprehensive income and fair value through other comprehensive income reserve for the year ended 31 December 2021.

15. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Investment in a private company (<i>Note (a)</i>)	390	487
Listed equity instrument in Hong Kong at market value (<i>Note (b)</i>)	<u>298</u>	<u>1,010</u>
	688	1,497
Less: Non-current portion	<u>(390)</u>	<u>(487)</u>
Current portion	<u><u>298</u></u>	<u><u>1,010</u></u>

Notes:

- (a) On 29 October 2020, the Group entered into a simple agreement for future equity with a private company to grant the Group the future right to acquire certain shares of the private company at a consideration of USD150,000 (equivalent to approximately HK\$1,170,000). The right is classified as financial asset at fair value through profit or loss. The decrease in fair value of this financial asset of HK\$97,000 has been recognised in profit or loss for the year ended 31 December 2021 (2020: HK\$683,000).
- (b) Fair value of the listed equity instrument in Hong Kong has been determined by reference to its quoted market price at the reporting date in an active market. Fair value of the listed trading portfolio investment is Level 1 recurring fair value measurement. The decrease in fair value of this financial asset of HK\$712,000 has been recognised in profit or loss for the year ended 31 December 2021 (2020: increase in fair value of approximately HK\$28,000).

16. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	16,642	23,503
Less: Provision for impairment losses	<u>(8,482)</u>	<u>(8,250)</u>
	<u><u>8,160</u></u>	<u><u>15,253</u></u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has credit control procedures established to monitor credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

The settlement term of trade receivables arising from the business of dealing securities is two business days after trade date ("T+2").

16. TRADE RECEIVABLES (Continued)

Trade receivables from cash clients related to a wide range of customers for whom there was no recent history of default. Based on the past experience, current assessment and the available forward-looking information, the management believes that no additional impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

Trade receivables from Hong Kong Securities Clearing Company Limited (“HKSCC”) is current which represents pending trades arising from the financial business of securities dealing and are normally due on “T+2” day in accordance with the requirements of HKSCC.

Details of trade receivables as at the end of reporting period, are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables from financial services business other than dealing in securities	1,809	1,085
Trade receivables from corporate consulting business	1,637	1,112
Trade receivables from trading business	<u>162</u>	<u>227</u>
	<u>3,608</u>	<u>2,424</u>
Trade receivables from the business of dealing in securities		
— Cash clients	174	294
— HKSCC	3,884	229
— Brokers	<u>494</u>	<u>12,306</u>
	<u>4,552</u>	<u>12,829</u>
	<u><u>8,160</u></u>	<u><u>15,253</u></u>

An ageing analysis of the trade receivables, net of impairment losses, arising from business other than dealing in securities as at the end of the reporting period, based on the invoice date are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	1,879	1,306
31 to 60 days	325	410
61 to 120 days	539	151
Over 120 days	<u>865</u>	<u>557</u>
	<u><u>3,608</u></u>	<u><u>2,424</u></u>

16. TRADE RECEIVABLES (Continued)

The movement in the expected credit loss for trade receivables for the years ended 31 December 2021 and 2020 are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	8,250	6,658
Expected credit loss for the year	<u>232</u>	<u>1,592</u>
At 31 December	<u><u>8,482</u></u>	<u><u>8,250</u></u>

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Prepayments	438	354
Trade deposit	—	5,776
Deposits and other receivables	<u>1,851</u>	<u>56,951</u>
	2,289	63,081
Less: Provision for impairment losses	<u>(167)</u>	<u>(54,742)</u>
	2,122	8,339
Less: Non-current portion	<u>(1,358)</u>	<u>—</u>
Current portion	<u><u>764</u></u>	<u><u>8,339</u></u>

The movements in the expected credit loss for the deposits and other receivables for the years ended 31 December 2021 and 2020 are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	54,742	63,241
Expected credit loss/(reversal of expected credit loss) for the year	14	(8,509)
Written off of deposits and other receivables	(956)	—
Deconsolidation of subsidiaries (<i>Note 26(d)</i>)	(57,690)	—
Exchange realignment	<u>4,057</u>	<u>10</u>
At 31 December	<u><u>167</u></u>	<u><u>54,742</u></u>

18. LOANS RECEIVABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gross loans and interest receivables	5,414	11,272
Less: Provision for impairment loss	<u>(272)</u>	<u>(240)</u>
	<u>5,142</u>	<u>11,032</u>

Note:

As at 31 December 2021, loans receivable with gross principal amount of HK\$5,400,000 (2020: HK\$11,204,000) in aggregate and related gross interest receivables of HK\$14,000 (2020: HK\$68,000) were due from three independent third parties. These loans are interest-bearing at fixed rates ranging from 8% to 12% (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 31 December 2021 and 2020.

The Group was no collateral (2020: hold collateral with gross principal amount of HK\$5,000,000) over loans receivable as at 31 December 2021. Impairment loss of HK\$32,000 (2020: HK\$240,000) has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021.

The movements in the expected credit loss for loans receivable for the years ended 31 December 2021 and 2020 are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	240	—
Expected credit loss for the year	<u>32</u>	<u>240</u>
At 31 December	<u>272</u>	<u>240</u>

18. LOANS RECEIVABLE (Continued)

Reconciliation of gross carrying amount for loans receivable for the years ended 31 December 2021 and 2020 is as follows:

	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2020	—	—	—
New loans originated	<u>11,272</u>	<u>—</u>	<u>11,272</u>
At 31 December 2020 and 1 January 2021	11,272	—	11,272
New loans originated	5,087	4,407	9,494
Repayment	<u>(15,352)</u>	<u>—</u>	<u>(15,352)</u>
At 31 December 2021	<u><u>1,007</u></u>	<u><u>4,407</u></u>	<u><u>5,414</u></u>

The movements in the expected credit loss in respect of loans receivable for the years ended 31 December 2021 and 2020 is as follows:

	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2020	—	—	—
Expected credit loss for the year	<u>240</u>	<u>—</u>	<u>240</u>
At 31 December 2020 and 1 January 2021	240	—	240
(Reversal of expected credit loss)/expected credit loss for the year	<u>(211)</u>	<u>243</u>	<u>32</u>
At 31 December 2021	<u><u>29</u></u>	<u><u>243</u></u>	<u><u>272</u></u>

19. FINANCE LEASE RECEIVABLES (Continued)

The movements in the expected credit loss for finance lease receivables for the years ended 31 December 2021 and 2020 are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	168,518	77,458
(Reversal of expected credit loss)/expected credit loss for the year	(950)	78,049
Deconsolidation of subsidiaries (<i>note 26(d)</i>)	(169,569)	—
Exchange realignment	2,001	13,011
	<u> </u>	<u> </u>
At 31 December	<u> </u>	<u>168,518</u>

The expected credit loss for finance lease receivables has been provided under the stage 3 of lifetime ECL assessment for the year ended 31 December 2020.

20. BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank borrowings, unsecured	<u> </u>	<u>851</u>

Notes:

1. As at 31 December 2020, the abovementioned bank borrowings is charged at a fixed rate of 5.75% per annum.
2. As at 31 December 2020, the Group had no pledged assets for the bank borrowings.

21. LEASE LIABILITIES

The amount included in the consolidated statement of financial position in respect of the carrying amounts of lease liabilities and the movements during the years are as follows:

	Land and buildings HK\$'000	
At 1 January 2020		8,845
Interest expenses		197
Lease payments		(5,470)
Derecognition of lease liabilities		<u>(218)</u>
At 31 December 2020 and 1 January 2021		3,354
Lease modification		10,738
Interest expenses		134
Lease payments		<u>(4,087)</u>
At 31 December 2021		<u><u>10,139</u></u>
	2021	2020
	HK\$'000	HK\$'000
Minimum lease payment due		
— Within one year	3,719	3,407
— In the second to fifth years, inclusive	7,099	<u>—</u>
	10,818	<u>3,407</u>
Less: Future finance charges	(679)	<u>(53)</u>
Present value of lease liabilities	10,139	<u><u>3,354</u></u>
	2021	2020
	HK\$'000	HK\$'000
Within one year	3,314	3,354
In the second to fifth years, inclusive	6,825	<u>—</u>
	10,139	<u><u>3,354</u></u>

The weighted average incremental borrowing rates applied to lease liabilities at 4.89% (2020: range from 2.42% to 6.82%).

22. TRADE PAYABLES

Details of trade payables as at the end of reporting period are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables from the business of dealing in securities		
— Cash clients (<i>Note</i>)	14,978	39,109
— HKSCC	14	186
Trade payables from trading business	<u>1,482</u>	<u>1,569</u>
	<u><u>16,474</u></u>	<u><u>40,864</u></u>

Note: As at 31 December 2021, the Group had trade payables due to a private company, which is wholly-owned by Mr. Wong Hin Shek, of approximately HK\$2,288,000 (2020: HK\$12,333,000) was arising from the Group's ordinary course of business in dealing securities. The transaction with such related company were carried out in normal course of business.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	126	211
31 to 60 days	—	—
61 to 120 days	—	134
Over 120 days	<u>1,356</u>	<u>1,224</u>
	<u><u>1,482</u></u>	<u><u>1,569</u></u>

23. OTHER PAYABLES AND ACCRUALS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other payables	1,726	39,829
Accruals	<u>1,835</u>	<u>2,972</u>
	<u><u>3,561</u></u>	<u><u>42,801</u></u>

24. CONVERTIBLE BONDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
2008 CBs (as defined below) (<i>Note (a)</i>)	53,147	45,936
Team Sunny CB (as defined below) (<i>Note (b)</i>)	<u>32,410</u>	<u>27,936</u>
	<u><u>85,557</u></u>	<u><u>73,872</u></u>

Notes:

(a) 2008 CBs

On 12 August 2008, the Company issued a convertible bonds as part of the consideration for the acquisition of forest concessions in Papua, Indonesia (the “2008 CBs”).

Subject to the restrictions specified below (the “**Conversion Restriction**”), the 2008 CBs are convertible at the option of the bondholders into ordinary shares in the Company at the initial conversion price of HK\$0.1 per share (subject to adjustments as provided in the terms and conditions of the 2008 CBs) at any time from the date of issue and ending on the fifth business day before the third anniversary of the date of issue:

- The bondholders do not have the right to convert any principal amount of the 2008 CBs into new shares of the Company thereof, if upon such conversion, Merdeka Commodities Limited and the parties acting in concert with it will be interested in 30% (or such amount as may from time to time be specified in the Codes on Takeovers and Mergers and Share Repurchases as being the level for triggering a mandatory general offer) or more of the enlarged issued share capital of the Company at the date of relevant conversion;

24. CONVERTIBLE BONDS (Continued)

Notes: (Continued)

(a) 2008 CBs (Continued)

- The conversion of the 2008 CBs shall not cause the Company to be in breach of the minimum public float requirement as stipulated under Rule 11.23 of the GEM Listing Rules; and
- The bondholders do not have the right to convert any 2008 CBs with the principal amount falling between the range of HK\$350,000,000 to HK\$776,880,000 at any time during the period from the issue date up to and inclusive of the date that falls on the first anniversary of the issue date.

The 2008 CBs are unsecured, interest-free and have an initial maturity date at 12 August 2011. Unless converted into the shares of the Company (the “**Shares**”), the outstanding balance of the 2008 CBs would be redeemed in full on maturity.

By the first supplemental deed dated 30 May 2011, the maturity date of the 2008 CBs was extended for 3 years and the conversion period was accordingly extended from 12 August 2011 to 12 August 2014. Upon becoming effective of the first supplemental deed, the Company might at any time during the period commencing from the date of extension to the new maturity date to redeem the whole or part of the outstanding 2008 CBs at par on a pro rata basis. Also, the Conversion Restriction was removed. Apart from the extension of the maturity date, the conversion period, the early redemption right and the removal of the Conversion Restriction, all terms of the 2008 CBs remain unchanged.

By the second supplemental deed dated 9 July 2014, the maturity date of the 2008 CBs was extended for 3 years and the conversion period was accordingly extended from 12 August 2014 to 12 August 2017. Upon becoming effective of the second supplemental deed, the Company might at any time during the period commencing from the date of extension to the new maturity date to redeem the whole or part of the outstanding 2008 CBs on a pro rata basis.

Upon effective of the second supplemental deed, the 2008 CBs was valued by the Directors with reference to a valuation report issued by Roma Appraisal Limited, an independent qualified valuer not connected to the Group. Gain on extinguishment of convertible bonds of approximately HK\$39,480,000 was recognised in the profit or loss for the year ended 31 December 2014.

By the third supplemental deed dated 20 January 2017, the maturity date of the 2008 CBs was extended for 3 years and the conversion period was accordingly extended from 12 August 2017 to 12 August 2020 (the “**Previous Maturity Date**”). Upon becoming effective of the third supplemental deed, the Company might at any time during the period commencing from the date of extension to the Previous Maturity Date to redeem the whole or part of the outstanding 2008 CBs on a pro rata basis. Also, the conversion price and the adjustment events to the conversion price had been changed. The conversion price have been adjusted to HK\$0.095 per share.

24. CONVERTIBLE BONDS (Continued)

Notes: (Continued)

(a) 2008 CBs (Continued)

Upon effective of the third supplemental deed, the 2008 CBs was valued by the Directors of the Company with reference to a valuation report issued by International Valuation Limited, an independent qualified valuer not connected with the Group. Gain on extinguishment of convertible bond of approximately HK\$31,162,000 was recognised in the profit or loss for the year ended 31 December 2017.

Upon effective of the Share consolidation on the basis that every ten issued and unissued shares of par value of HK\$0.001 each in the share capital of the Company will be consolidated into one consolidated share of par value of HK\$0.01 each, the conversion price of 2008 CBs adjusted to HK\$0.95 per share.

By the fourth supplemental deed dated 10 January 2020, the maturity date of the 2008 CBs was extended for a further term of three years from 13 August 2020 to 12 August 2023. Upon becoming effective of the third supplemental deed, the Company might at any time during the period commencing from the date of extension to the Previous Maturity Date to redeem the whole or part of the outstanding 2008 CBs on a pro rata basis. Also, 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 remain unchanged and valid. 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.

Upon effective of the fourth supplemental deed, the 2008 CBs was valued by the Directors with reference to a valuation report issued by an independent qualified valuer not connected with the Group. Gain on modification of terms of convertible bonds of HK\$2,502,000 and loss on redemption of convertible bonds of HK\$2,444,000 were recognised in the profit or loss for the year ended 31 December 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.

On 22 July 2021, the Company completed a rights issue (the “**2021 Rights Issue**”) and allotted and issued 346,310,897 Shares, on the basis of five (5) rights shares for every two (2) Shares held on 28 June 2021 at the subscription price of HK\$0.15 per rights share. Upon the completion of the 2021 Rights Issue, the conversion price of 2008 CB was adjusted to HK\$0.90 per conversion share.

24. CONVERTIBLE BONDS (Continued)

Notes: (Continued)

(a) 2008 CBs (Continued)

The outstanding principal amount of the 2008 CBs as at 31 December 2021 was HK\$69,068,000 (2020: HK\$69,068,000) conferring rights to convert into a total of 76,742,221 ordinary Shares (2020: 627,890,909 ordinary Shares without taking into account of share consolidation on 17 June 2021 and 2021 Rights Issue).

The 2008 CBs contain two components, the liability and equity components. The equity component is presented in equity as an “Equity component of convertible bonds”.

The effective interest rate of the liability component is as follow:

	Fourth Supplemental deed	Third Supplemental deed	Second Supplemental deed	First Supplemental deed
Effective interest rate	<u>14.72%</u>	<u>10.11%</u>	<u>14.13%</u>	<u>11.66%</u>

The movement of the liability component of the convertible bonds for the year was set out below:

	2021 HK\$'000	2020 HK\$'000
At the beginning of the year	45,936	116,344
Interest charged	7,211	9,692
Modification of the terms of convertible bonds	—	(46,110)
Redemption of convertible bonds	—	<u>(33,990)</u>
At the end of the year	<u>53,147</u>	<u>45,936</u>

(b) Team Sunny CB

On 10 January 2020, the Company issued the convertible bonds to 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 Chairman, the Chief Executive Officer, an executive Director and the substantial shareholder of the Company, for the settlement of the outstanding debt due from the Company to Mr. Wong of HK\$39,805,651 (“**Team Sunny CB**”). 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 promissory note issued on 28 February 2019 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).

24. CONVERTIBLE BONDS (Continued)

Notes: (Continued)

(b) Team Sunny CB (Continued)

The Team Sunny CB are convertible at the option of the bondholders into ordinary shares in the Company at the conversion price of HK\$0.110 per share (subject to adjustments as provided in the terms and conditions of the Team Sunny CB) at any time from the date of issue and ending on the third anniversary of the date of issue.

The Team Sunny CB are unsecured, interest-free and have a maturity date fall on the third anniversary from the date of issue.

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\$1.100 per conversion share.

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) Shares held on 28 June 2021 at the subscription price of HK\$0.15 per rights share. Upon the completion of the 2021 Rights Issue, the conversion price of Team Sunny CB was adjusted to HK\$0.903 per conversion share.

The outstanding principal amount of the Team Sunny CB as at 31 December 2021 was HK\$39,805,651 (2020: HK\$39,805,651) conferring rights to convert into a total 44,081,562 (2020: 361,869,554 ordinary Shares without taking into account of share consolidation on 17 June 2021 and 2021 Rights Issue ordinary Shares).

The convertible bonds contained two component, the liability and equity components. The equity component is presented in equity as an “Equity component of convertible bonds”. The effective interest rate of the liability component is approximately 14.95% per annum.

The movement of the liability component of the convertible bonds for the year was set out below:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At the beginning of the year	27,936	—
Issuance of convertible bonds	—	25,492
Interest charged	4,474	2,444
	<hr/>	<hr/>
At the end of the year	<u>32,410</u>	<u>27,936</u>

25. SHARE CAPITAL

	<i>Notes</i>	Number of shares in '000	Nominal values 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	2	(18,000,000)	—
At 31 December 2021			
Ordinary shares of HK\$0.1 each		2,000,000	200,000
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	4	1,048,803	10,488
Issuance of shares upon exercise of share options	5	12,240	122
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	1	62,227	643
Share consolidation	2	(1,246,719)	—
Issuance of shares upon rights issue	3	346,311	34,631
At 31 December 2021			
Ordinary shares of HK\$0.1 each		485,062	48,506

Notes:

- During the year ended 31 December 2021, share options to subscribe for 62,227,027 ordinary Shares were exercised. The net consideration was HK\$960,000 of which HK\$643,000 was credited to share capital account and the balance of HK\$317,000 was credited to the share premium account. An amount of HK\$483,000 was transferred from share option reserve account to share premium account upon the exercise of the share options.
- 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.

25. SHARE CAPITAL (Continued)

Notes: (Continued)

3. 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) Shares held on 28 June 2021 at the subscription price of HK\$0.15 per rights share. Gross 2021 Rights Issue proceeds of approximately HK\$51,947,000 of which approximately HK\$34,631,000 was credited against share capital and the remaining proceeds of approximately HK\$17,316,000 was after offsetting the share issuance costs of approximately HK\$772,000 were credited against the share premium account.
4. On 22 June 2020, the Company completed a rights issue (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 of the Company. Gross Rights Issue proceeds of approximately HK\$115,368,000 of which approximately HK\$10,488,000 was credited against share capital and the remaining proceeds of approximately HK\$104,880,000 after offsetting the share issuance costs of approximately HK\$1,552,000 were credited against the share premium account.
5. On 20 November 2020, share options to subscribe for 12,240,000 ordinary shares of the Company were exercised. The net consideration was approximately HK\$184,000 of which approximately 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 approximately HK\$102,000 was transferred from share option reserve account to share premium account upon the exercise of the share options.

26. DISPOSAL OF SUBSIDIARIES/DEREGISTRATION OF SUBSIDIARIES/DECONSOLIDATION OF SUBSIDIARIES

(a) Deregistration of 領智恒泰(北京)商務諮詢有限公司

On 25 February 2021, the Group deregistered 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 was analysed as follows:

HK\$'000

Net assets deregistered of:

Other receivables	17
Other payables and accruals	<u>(1)</u>
Loss on deregistration	<u><u>16</u></u>

(b) Deregistration of Ever Hero Group Limited (“Ever Hero”) and End User Technology Limited (“End User Technology”)

On 1 November 2021, the Group deregistered Ever Hero and End User Technology, an indirect wholly-owned subsidiaries of the Company. Gain on deregistration of subsidiaries in aggregate amounted to HK\$42,000 was analysed as follows:

HK'000

(i) Net liabilities of Ever Hero deregistered of:

Other payables and accruals	<u>(24)</u>
Gain on deregistration	<u><u>(24)</u></u>

(ii) Net liabilities of End User Technology deregistered of:

Other payables and accruals	<u>(18)</u>
Gain on deregistration	<u><u>(18)</u></u>
Total gain on deregistration	<u><u>(42)</u></u>

26. DISPOSAL OF SUBSIDIARIES/DEREGISTRATION OF SUBSIDIARIES/DECONSOLIDATION OF SUBSIDIARIES *(Continued)*

(c) Disposal of Galaxy PAM Asset Management (Cayman Islands) Limited

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, a wholly-owned subsidiary, at a consideration of HK\$90,000. The gain on disposal of a subsidiary amounted to HK\$1,000 was analysed as follows:

	<i>HK\$'000</i>
Net assets disposed of:	
Other receivables	37
Bank balances	<u>52</u>
	89
Less: Proceeds from disposal	<u>(90)</u>
Gain on disposal	<u><u>(1)</u></u>
Cash consideration received	90
Less: Bank balances disposed of	<u>(52)</u>
Net cash inflows arising on disposal	<u><u>38</u></u>

26. DISPOSAL OF SUBSIDIARIES/DEREGISTRATION OF SUBSIDIARIES/DECONSOLIDATION OF SUBSIDIARIES (Continued)

(d) Deconsolidation of Blossom Height Ventures Limited

On 10 September 2021, End User Investments Limited (being a wholly-owned subsidiary of the Company), in its capacity as the sole shareholder of Blossom Height resolved to wind up Blossom Height by way of member's voluntary winding-up. Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited, and Mr. Nathan Mills of R&H Restructuring (BVI) Limited were appointed as the joint voluntary liquidators of Blossom Height on 29 September 2021.

Following the commencement of the voluntary winding-up under the Hong Kong Companies Ordinance, the Group lost control over Blossom Height because the joint voluntary liquidators have taken over control of the operations of Blossom Height under the statutory power. Blossom Height was then ceased to be a subsidiary of the Company with effect from 29 September 2021.

Loss on deconsolidation of subsidiaries amounted to HK\$4,052,000 was analysed as follows:

	<i>HK\$'000</i>
Net liabilities deconsolidated of:	
Bank balances and cash	5
Other payables and accruals	(1,449)
Non-controlling interests	<u>(8,508)</u>
	(9,952)
Add: Release of exchange reserve to profit or loss upon disposal	<u>14,004</u>
Loss on deconsolidation	<u><u>4,052</u></u>
Net cash outflow arising on deconsolidation	<u><u>(5)</u></u>

26. DISPOSAL OF SUBSIDIARIES/DEREGISTRATION OF SUBSIDIARIES/DECONSOLIDATION OF SUBSIDIARIES *(Continued)*

(e) Deregistration of M Technology Limited (“M Technology”) and Merdeka Asset Management Limited (“MAML”)

On 22 May 2020, the Group deregistered M Technology and MAML, indirect wholly-owned subsidiaries of the Company. Gain on deregistration of subsidiaries in aggregate amounted to HK\$1,057,000 was analysed as follows:

	<i>HK\$'000</i>
(i) Net liabilities of M Technology deregistered of:	
Other payables	(993)
Gain on deregistration	(993)
(ii) Net liabilities of MAML deregistered of:	
Other payables	(64)
Gain on deregistration	(64)
Total gain on deregistration	(1,057)

27. RELATED PARTY DISCLOSURES

Save as disclosed in elsewhere to the consolidated financial statements, the Group have the following material related party transactions.

Name of related party	Relationship	Nature of transaction	2021 HK\$'000	2020 HK\$'000
Mr. Wong Hin Shek	Director	Loan interest charged	—	(678)
		Commission income from dealing in securities	<u>68</u>	<u>455</u>
			<u>68</u>	<u>(223)</u>
Related companies	Common director	Corporate consulting service income	921	622
		Commission income from dealing in securities	<u>9</u>	<u>47</u>
			<u>930</u>	<u>669</u>

Compensation of key management personnel of the Group

	2021 HK\$'000	2020 HK\$'000
Short term employee benefits	3,377	1,643
Post-employment benefits	<u>42</u>	<u>31</u>
Total compensation paid to key management personnel	<u>3,419</u>	<u>1,674</u>

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditor of the Company:

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3.4 in the consolidated financial statements, which indicates that the Group incurred a net loss of HK\$30,788,000 for the year ended 31 December 2021 and, as of that date, the Company had net liabilities of HK\$27,495,000. As stated in Note 3.4, these events or conditions, along with other matters as set forth in Note 3.4, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

During the year ended 31 December 2021, the Group is principally engaged in (i) financial services business including securities brokerage services, provision of corporate finance advisory services, asset management business and money lending services; (ii) corporate consulting business including company secretarial services, accounting and financial reporting services and management consulting services; and (iii) trading business.

Blossom Height and its subsidiaries (“**Blossom Height Group**”) were principally engaged in the financial leasing business. As the performance of the financial leasing business continued sluggish, on 10 September 2021, End User Investments Limited (being a wholly-owned subsidiary of the Company), in its capacity as the sole shareholder of Blossom Height resolved to wind up Blossom Height by way of member’s voluntary winding-up. Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited, and Mr. Nathan Mills of R&H Restructuring (BVI) Limited were appointed as the joint voluntary liquidators of Blossom Height on 29 September 2021. Following the appointment of liquidators, Blossom Height ceased to be a subsidiary of the Company and the financial results of Blossom Height Group was deconsolidated from that of the Group.

For the year ended 31 December 2021, the Group recorded revenue of approximately HK\$24.5 million (2020: approximately HK\$39.9 million). Loss for the year attributable to owners of the Company was approximately HK\$31.1 million (2020: approximately HK\$71.7 million). Basic and diluted loss per share was approximately HK\$0.11 (2020: approximately HK\$0.88 (restated)). The net loss of the Group for the year ended 31 December 2021 was approximately HK\$30.8 million (2020: approximately HK\$97.8 million). The decrease in net loss was mainly attributable from the net off effect of (i) the absence of reversal of impairment loss on other receivables of approximately HK\$8.5 million; (ii) the absence of impairment loss on finance lease receivables of approximately HK\$78.0 million; and (iii) a loss on deconsolidation of subsidiaries of approximately HK\$4.1 million.

Financial services business

The revenue for the year ended 31 December 2021 of the financial services business was approximately HK\$15.4 million (2020: approximately HK\$21.8 million) and a segment profit of approximately HK\$8.5 million (2020: approximately HK\$4.5 million). The slightly decrease in revenue 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 coronavirus (“**COVID-19**”) pandemic.

During the year ended 31 December 2021, the corporate financial advisory services and assets management services generated revenue of approximately HK\$8.1 million and HK\$4.9 million respectively (2020: HK\$12.8 million and HK\$7.7 million respectively), represented approximately 33.1% and 20.0% 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.

In the course of preparing the financial statements for the year ended 31 December 2021, the Company had engaged an independent qualified valuer to determine the recoverable amount of the trading right of the business carrying on the regulated activities of Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) as defined under the SFO. The recoverable amount of the trading right has been determined by the higher of fair value less cost of disposal, which is primarily making reference to the recent sales of similar transactions in the market, and value-in-use which is calculated using cash flow projections based on the latest financial budgets approved by the management. During the year ended 31 December 2021, no impairment loss (2020: approximately HK\$1.6 million) on the trading right was recognised.

The Group's money lending business was conducted through its wholly-owned subsidiary, Merdeka Credit Limited, to grant loans to individuals and enterprises. The Group strived to adhere to a set of comprehensive policy and procedural manual in respect of loan approval, loan renewal, loan recovery, loan compliance, monitoring and anti-money laundering.

As at 31 December 2021, the Group had loans receivable with gross principal amount of approximately HK\$5.4 million (2020: HK\$11.2 million). The Group recorded interest income from loans receivable of approximately HK\$1.4 million for the year ended 31 December 2021 (2020: HK\$0.2 million).

During the year ended 31 December 2021, the Group granted 6 loans to individuals and enterprises, all of them are independent third parties. As at 31 December 2021, 4 loans were outstanding, with terms ranging from 2 months to 13 months, interest rate ranging from 8% to 12% per annum and with no collaterals. As at 31 December 2021, the principal amount outstanding from the five largest borrowers of the Group together amounted to HK\$5.4 million (representing 100% to the total loans receivable of the Group) while the principal amount outstanding from the largest borrower amounted to HK\$2.4 million (representing approximately 44.4% to the total loans receivable of the Group).

As at 31 December 2021, the management had engaged an independent qualified valuer to determine the expected credit losses of the Group's loans receivable (the “**loans receivable ECL**”). In assessing the loans receivable ECL of the Group, a credit rating analysis of the underlying debtors was adopted by reviewing the historical accounting 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 ageing analysis of the receivables, the Group's internal assessment of the debtors' credit worthiness, historical and forecast occurrence of event of default, existence and valuation of the collaterals, the relevant regulatory framework and government policies in Hong Kong and global economic outlook in general and the specific economic condition of Hong Kong would be considered. The rate of loans receivable ECL ranged from 2.83% to 6.05% depending on the nature, probability of default and loss given default of the loans receivable.

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 background and credit risk assessment on the potential borrowers before granting the loans by (a) global searching on their identity and background; (b) reviewing and assessing their financial information; and (c) performing an assessment on their creditability.

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 corporate consulting business recorded a revenue of approximately HK\$5.8 million (2020: approximately HK\$7.7 million) and a segment profit of approximately HK\$0.2 million (2020: approximately HK\$1.2 million) during the year ended 31 December 2021. The decrease in segment profit 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 year ended 31 December 2021 was approximately HK\$3.3 million (2020: approximately HK\$10.3 million) and a segment loss of approximately HK\$6.6 million (2020: approximately HK\$0.7 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 31 December 2021, the Group managed a listed security investment with fair value of approximately HK\$0.3 million (2020: approximately HK\$1.0 million). In view of the fluctuations in the global and local financial markets, 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 31 December 2021 and 2020 and (losses)/gains for the years ended 31 December 2021 and 2020 are as below:

Losses for the year ended 31 December 2021

Name of listed securities	Stock code	Realised gains <i>HK\$'000</i>	Unrealised losses <i>HK\$'000</i>	Dividend received <i>HK\$'000</i>
Evergrande Property Services Group Limited	6666	—	(712)	—

Financial assets at fair value through profit or loss as at 31 December 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	298	0.3%

Gains for the year ended 31 December 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	—	15	—
JD Health International Inc.	6618	13	—	—

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

The Group will continue to expand the clients base and establish a strong track record in order to strengthen the businesses of corporate financial advisory services, asset management services and money lending services 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, asset management services 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 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 operation.

CONVERTIBLE BONDS

2008 Convertible Bonds

On 10 January 2020, the Company and the holders of the 2008 CBs (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.

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 share for every two (2) Shares held on 28 June 2021 at the subscription price of HK\$0.15 per rights share. Upon the completion of the 2021 Rights Issue, the conversion price of 2008 CB was adjusted to HK\$0.90 per conversion share.

As at 31 December 2021, the Company had 2008 CBs with principal amount of HK\$69.1 million conferring rights to convert into a total of 76,742,221 Shares with the conversion price of HK\$0.90 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 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 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.

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) Shares held on 28 June 2021 at the subscription price of HK\$0.15 per rights share. Upon the completion of the 2021 Rights Issue, the conversion price of Team Sunny CB was adjusted to HK\$0.903 per conversion share.

As at 31 December 2021, the Company had Team Sunny CB with principal amount of HK\$39.8 million conferring rights to convert into a total of 44,081,562 Shares with the conversion price of HK\$0.903 per conversion share.

DIVIDENDS

The Board resolved not to recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 31 December 2021, the Group recorded cash and bank balances (including trust accounts) amounting to approximately HK\$47.7 million (2020: approximately HK\$55.0 million) and the net current assets value was approximately HK\$38.9 million (2020: approximately HK\$2.6 million).

The Group's gearing ratio as at 31 December 2021 was approximately 0.96 (2020: approximately 0.69), being a ratio of total interest-bearing debts, including borrowings and convertible bonds of approximately HK\$85.6 million (2020: approximately HK\$74.7 million) to the total assets of approximately HK\$88.9 million (2020: approximately HK\$108.2 million).

USE OF PROCEEDS FROM 2020 RIGHTS ISSUE

The Company completed the 2020 Rights Issue on 22 June 2020, 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 (4) rights shares for every one (1) existing 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
<u>110.80</u>		

USE OF PROCEEDS FROM 2021 RIGHTS ISSUE

The Company completed the 2021 Rights Issue on 22 July 2021, pursuant to which the Company has issued 346,310,897 Shares as rights shares at HK\$0.15 per rights share on the basis of five (5) rights shares for every two (2) Shares held on 28 June 2021. The net proceeds from the 2021 Rights Issue (after deducting the expenses) were approximately HK\$49.79 million. The net subscription price per rights share after deducting the related expenses of the 2021 Rights Issue was approximately HK\$0.144.

The intended and actual use of the net proceeds from the 2021 Rights Issue is stated as below:

Amount HK\$ million	Intended use	Actual use
28.89	Repayment of the promissory notes issued by the Company on 21 April 2015	Fully utilised as intended
7.93	Repayment of the loan indebted to Mr. Lau Chung Yan by the Company	Fully utilised as intended
12.97	General working capital and future investment	Approximately HK\$1.19 million has not been utilised and is expected to be used as intended within 1 month
<hr/>		
<u>49.79</u>		

PLEDGE OF ASSETS

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

CAPITAL STRUCTURE

During the year ended 31 December 2021, 62,227,027 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.

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) Shares held on 28 June 2021 at the subscription price of HK\$0.15 per rights share.

Save as disclosed, the Company had no changes in capital structure during the year ended 31 December 2021.

INVESTMENT POSITION AND PLANNING

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

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) Shares 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.

Winding up of Blossom Height Ventures Ltd

On 10 September 2021, End User Investments Limited, a wholly-owned subsidiary of the Company, in its capacity as the sole shareholder of Blossom Height resolved to wind up Blossom Height by way of member's voluntary winding-up. Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited, and Mr. Nathan Mills of R&H Restructuring (BVI) Limited were appointed as the joint voluntary liquidators of Blossom Height on 29 September 2021.

Details were set out in the Company's announcement dated 10 September 2021.

CONTINGENT LIABILITIES

As at 31 December 2021, save for the litigation, the Group had no other significant contingent liabilities (2020: Nil).

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had no significant capital commitments (2020: Nil).

FOREIGN CURRENCY RISK

The Group's reporting currency is Hong Kong dollar. During the year ended 31 December 2021, most of the Group's transactions were denominated in 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 31 December 2021, the Group employed 38 staffs (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 bonuses. A share option scheme is also established to reward and motivate the employees of the Group.

CONNECTED TRANSACTIONS

Save as disclosed, the Company did not have any other connected transactions which were subject to the reporting requirements under Chapter 20 of the GEM Listing Rules for the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year, to the best knowledge of the Board, the Company has applied the principles and complied with the applicable code provisions set out in the Corporate Governance Code in Appendix 15 of the GEM Listing Rules in force during the year (the “CG Code”) except that there is no separation of the roles of chairman and chief executive.

Code Provision A.2.1

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 has been appointed as the Chairman and the Chief Executive Officer since 1 September 2020. This is at variance with code A.2.1 of the CG Code which provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. 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 powers and authorities of the Group has not been concentrated as all major decisions of the Group have been made in consultation with the Board and appropriate Board committees, as well as senior management. The Board will regularly review the effectiveness of this structure to ensure that it is appropriate to the Group's circumstances.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

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 year and up to the date of this announcement.

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 with appropriate 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 the annual results of the Group for the year ended 31 December 2021 with senior management and external auditor of the Company, and confirmed that the preparation of such complied with applicable accounting standards and practices adopted by the Company and the requirements under the GEM Listing Rules and other applicable statutory and regulatory requirements, and adequate disclosure had been made.

PUBLICATION OF THE ANNUAL RESULTS AND DESPATCH OF THE ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at <http://www.merdeka.com.hk>. The annual report of the Company for the year ended 31 December 2021 containing all the information required by the GEM Listing Rules will be published on the websites of the Stock Exchange and the Company and despatched to the shareholders of the Company on or before 31 March 2022.

ANNUAL GENERAL MEETING

The notice of the annual general meeting of 2022 of the shareholders of the Company will be published and despatched to the shareholders of the Company in the manner as required by the GEM Listing Rules in due course.

By order of the Board
MERDEKA FINANCIAL GROUP LIMITED
Wong Hin Shek
Chairman and Chief Executive Officer

Hong Kong, 21 March 2022

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, 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>.

The English text of this announcement shall prevail over the Chinese text in the event of inconsistency.