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 2019

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 the 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 directors (the "**Director(s)**") of Merdeka Financial Group Limited (the "**Company**") 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 2019, 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 2019

	Notes	**2019** ***HK$'000***	2018 *HK$'000*
REVENUE	*4.1*	**482,705**	559,785
Cost of sales		**(465,767)**	(544,650)
Gross profit		**16,938**	15,135
Other income and gains or losses	*5*	**2,496**	1,412
Operating expenses		**(23,068)**	(36,419)
Administrative expenses		**(13,539)**	(12,134)
Impairment loss on goodwill	*11*	**—**	(5,803)
Impairment loss on intangible assets		**(1,205)**	—
Impairment loss on trade receivables	*16*	**(4,496)**	(5,217)
Impairment loss on prepayments, deposits and other receivables	*17*	**(2,005)**	(64,422)
Impairment loss on finance lease receivables	*14*	**(77,458)**	—
Gain on disposal of subsidiaries	*27(a)&(b)*	**533**	—
Gain on deregistration of subsidiaries	*27(c)&(d)*	**1,204**	—
Finance costs	*6*	**(13,292)**	(12,256)
LOSS BEFORE TAXATION	*7*	**(113,892)**	(119,704)
Income tax	*8*	**471**	—
LOSS FOR THE YEAR		**(113,421)**	(119,704)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
For the year ended 31 December 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(3,002)**	(9,855)
Release of exchange reserve upon disposal/deregistration of subsidiaries	*27(b)&(c)*	**132**	—
Item that will not be subsequently reclassified to profit or loss:			
Changes in fair value of financial assets at fair value through other comprehensive income	*15*	**32**	—
Other comprehensive income for the year		**(2,838)**	(9,855)
Total comprehensive income for the year		**(116,259)**	(129,559)
Loss for the year attributable to:			
Owners of the Company		**(84,110)**	(92,051)
Non-controlling interests		**(29,311)**	(27,653)
		(113,421)	(119,704)
Total comprehensive income attributable to:			
Owners of the Company		**(85,704)**	(97,880)
Non-controlling interests		**(30,555)**	(31,679)
		(116,259)	(129,559)
Loss per share to owners of the Company			
			(Restated)
Basic and diluted	*10*	**(HK$0.35)**	(HK$0.42)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**1,891**	2,682
Statutory deposit		**510**	510
Goodwill	11	**5,470**	—
Intangible assets	12	**5,450**	5,705
Right-of-use assets	13	**8,706**	—
Finance lease receivables	14	**—**	5,283
Financial assets at fair value through other comprehensive income	15	**2,032**	—
Total non-current assets		**24,059**	14,180
Current assets			
Inventories		**485**	1,010
Trade receivables	16	**29,888**	2,460
Prepayments, deposits and other receivables	17	**14,479**	112,731
Finance lease receivables	14	**81,071**	547,941
Held-for-trade investments		**—**	428
Bank balances — trust accounts		**31,651**	6,543
Bank balances and cash — general accounts		**15,454**	12,255
Total current assets		**173,028**	683,368
Current liabilities			
Borrowings	18	**4,884**	415,788
Lease liabilities	19	**5,003**	—
Convertible bonds	20	**116,344**	—
Promissory note	21	**8,005**	—
Trade payables	22	**60,183**	13,652
Other payables and accruals	23	**106,721**	149,709
Tax payables		**341**	1,048
Total current liabilities		**301,481**	580,197
Net current (liabilities)/assets		**(128,453)**	103,171
Total assets less current liabilities		**(104,394)**	117,351

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Deferred tax liabilities		**1,128**	941
Convertible bonds	*20*	**—**	105,651
Lease liabilities	*19*	**3,842**	—
Total non-current liabilities		**4,970**	106,592
Net (liabilities)/assets		**(109,364)**	10,759
EQUITY			
Share capital	*24*	**2,622**	2,040
Reserves		**(146,725)**	(60,351)
Equity attributable to owners of the Company		**(144,103)**	(58,311)
Non-controlling interests		**34,739**	69,070
Total (deficiency)/equity		**(109,364)**	10,759

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on GEM. Its registered office is located at the offices of Cricket Square, Hutchins Drive, PO 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.

During the year ended 31 December 2019, the principal activity of the Company was investment holding. The principal activities of the subsidiaries comprised of financial services business, corporate consulting business, trading business and information technology 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.

In preparing the consolidated financial statements, the Directors have given consideration to the future liquidity of the Group in light of the following: (i) the Group incurred a net loss of approximately HK$113,421,000 for the year ended 31 December 2019 and the Group's current liabilities exceeded its current assets by approximately HK$128,453,000 as at 31 December 2019; and (ii) included in the current liabilities, the outstanding principal amount of convertible bonds of approximately HK$124,068,000 will be matured on 12 August 2020.

2. BASIS OF PREPARATION *(Continued)*

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. As of the date when the consolidated financial statements are authorised for issue, as disclosed in note 29(b), (i) the Company proposed to implement the rights issue on the basis of four (4) rights shares for every one (1) existing share of the Company at the subscription price of HK$0.110 per rights share, to raise not less than approximately HK$115.37 million, and not more than approximately HK$115.38 million; and (ii) the Company entered into a supplemental deed with the holder of convertible bonds to extend the maturity date of the convertible bonds for a further three years to 12 August 2023. Under these circumstances, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2019 on a going concern basis. 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 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 ("HKFRSs")

(a) Adoption of new/revised HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations ("**new HKFRSs**") 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 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual Improvements to HKFRSs 2015–2017 Cycle

Except for the effect stated below, 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 ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs *(Continued)*

(i) Impact of the adoption of HKFRS 16 ("HKFRS 16")

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("**HKAS 17**"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of the adoption of HKFRS 16 on the Group's consolidated statement of financial position as at 1 January 2019 as follows (increase/(decrease)):

	HK$'000
Consolidated statement of financial position as at 1 January 2019	
Right-of-use assets	9,708
Lease liabilities (non-current)	6,006
Lease liabilities (current)	3,774
Total lease liabilities	9,780
Accumulated losses	(68)
Non-controlling interests	(4)

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

(a) Adoption of new/revised HKFRSs *(Continued)*

(i) Impact of the adoption of HKFRS 16 (Continued)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

	HK$'000
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitments as of 31 December 2018	11,379
Less: non-lease component — management fee	(902)
Less: future interest expenses	(697)
Total lease liabilities as of 1 January 2019	9,780

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 is 3.45%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

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

(a) Adoption of new/revised HKFRSs *(Continued)*

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use assets and lease liabilities at the commencement date of a lease.

Right-of-use assets

The right-of-use assets should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liabilities (see below for the accounting policy to account for lease liabilities); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities.

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

(a) Adoption of new/revised HKFRSs *(Continued)*

(iii) Accounting as a lessee (Continued)

Right-of-use assets (Continued)

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets.

Lease liabilities

The lease liabilities should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liabilities by: (i) increasing the carrying amount to reflect interest on the lease liabilities; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

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

(a) Adoption of new/revised HKFRSs *(Continued)*

(iv) Accounting as a lessor

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 does not have an impact for leases where the Group is the lessor.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(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 financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to HKFRS 3	Definition of a business[2]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale of Contribution of Assets between an Investor and its Associate of Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2020.

2 Effective for business combinations and assets acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

Amendments to HKAS 1 and HKAS 8 — Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 3 — Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

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

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in HKFRS 9 and HKAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments. There are also amendments to HKFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform.

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

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is in the process of making an assessment of the potential impact of these new pronouncement upon application.

4. REVENUE AND SEGMENT REPORTING

4.1 Revenue represents the amounts received and receivable for goods sold to outside customers, net of returns and discounts, income from financial services operations and income from corporate consulting operations during the year.

	2019	2018
	HK$'000	*HK$'000*
Financial services business	**11,817**	73,812
Corporate consulting business	**8,912**	—
Trading business	**461,976**	485,469
Information technology business	**—**	504
	482,705	559,785

4. REVENUE AND SEGMENT REPORTING *(Continued)*

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 Company's executive directors.

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

There were no inter-segment transactions between different operating segments for the year (2018: 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, money lending business and financial leasing business;

(b) Corporate consulting business segment is engaged in the provision of company secretarial services, accounting and financial reporting services and management consulting services;

(c) The trading business segment is engaged in the trading of goods, components and accessories; and

(d) The information technology business segment is engaged in distributorship of information technology products and the provision of relevant technical support services.

4. REVENUE AND SEGMENT REPORTING *(Continued)*

4.2 Segment reporting *(Continued)*

(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 2019

	Financial services business *HK$'000*	Corporate consulting business *HK$'000*	Trading business *HK$'000*	Information technology business *HK$'000*	Total *HK$'000*
Segment revenue	**11,817**	**8,912**	**461,976**	**—**	**482,705**
Segment (loss)/profit	**(88,616)**	**2,583**	**(2,866)**	**(743)**	**(89,642)**
Finance costs					**(12,659)**
Gain on disposal of subsidiaries					**533**
Gain on deregistration of subsidiaries					**1,204**
Unallocated corporate expenses *(note)*					**(13,328)**
Loss before taxation					**(113,892)**

For the year ended 31 December 2018

	Financial services business *HK$'000*	Corporate consulting business *HK$'000*	Trading business *HK$'000*	Information technology business *HK$'000*	Total *HK$'000*
Segment revenue	73,812	—	485,469	504	559,785
Segment loss	(88,084)	—	(3,858)	(3,510)	(95,452)
Finance costs					(11,887)
Unallocated corporate expenses *(note)*					(12,365)
Loss before taxation					(119,704)

Note: Unallocated corporate expenses mainly included staff salaries, directors' remuneration and office rental expenses for the years ended 31 December 2019 and 2018.

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:

	2019	2018
	HK$'000	*HK$'000*
Segment assets		
Financial services business	**159,790**	673,685
Corporate consulting business	**11,633**	—
Trading business	**12,163**	12,597
Information technology business	**—**	1,336
Total segment assets	**183,586**	687,618
Unallocated bank balances and cash	**119**	262
Unallocated corporate assets	**13,382**	9,668
Consolidated total assets	**197,087**	697,548
Segment liabilities		
Financial services business	**65,901**	496,849
Corporate consulting business	**3,442**	—
Trading business	**8,398**	6,300
Information technology business	**765**	1,827
Total segment liabilities	**78,506**	504,976
Convertible bonds	**116,344**	105,651
Promissory note	**8,005**	—
Unallocated corporate liabilities	**103,596**	76,162
Consolidated total liabilities	**306,451**	686,789

4. REVENUE AND SEGMENT REPORTING *(Continued)*

4.2 Segment reporting *(Continued)*

(d) Other segment information

For the year ended 31 December 2019

	Financial services business *HK$'000*	**Corporate consulting business** *HK$'000*	**Trading business** *HK$'000*	**Information technology business** *HK$'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	**—**	**20**	**—**	**—**	**354**	**374**
Depreciation of property, plant and equipment	**(354)**	**(17)**	**—**	**—**	**(780)**	**(1,151)**
Depreciation of right-of-use assets	**(1,329)**	**(1,232)**	**(593)**	**—**	**(1,790)**	**(4,944)**
Amortisation of intangible assets	**—**	**(190)**	**—**	**—**	**—**	**(190)**
Impairment loss on trade receivables	**(1)**	**(2,036)**	**(2,459)**	**—**	**—**	**(4,496)**
Impairment loss on prepayments, deposits and other receivables	**(648)**	**—**	**(69)**	**(697)**	**(591)**	**(2,005)**
Impairment loss on finance lease receivables	**(77,458)**	**—**	**—**	**—**	**—**	**(77,458)**
Impairment loss on intangible assets	**(1,205)**	**—**	**—**	**—**	**—**	**(1,205)**
Gain on disposal of subsidiaries	**—**	**—**	**—**	**359**	**174**	**533**
(Loss)/gain on deregistration of subsidiaries	**—**	**(6)**	**—**	**(1,397)**	**2,607**	**1,204**

For the year ended 31 December 2018

	Financial services business *HK$'000*	Corporate consulting business *HK$'000*	Trading business *HK$'000*	Information technology business *HK$'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	104	—	—	—	2,081	2,185
Depreciation of property, plant and equipment	(485)	—	(5)	(5)	(1,337)	(1,832)
Impairment loss on trade receivables	—	—	(2,163)	(3,054)	—	(5,217)
Impairment loss on prepayments, deposits and other receivables	(64,422)	—	—	—	—	(64,422)
Impairment loss on goodwill	(5,803)	—	—	—	—	(5,803)

4. REVENUE AND SEGMENT REPORTING *(Continued)*

4.2 Segment reporting *(Continued)*

(e) Geographical information

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

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

	Revenue from external customers		**Non-current assets**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**473,654**	486,799	**21,667**	8,185
PRC	**9,051**	72,986	**360**	5,995
	482,705	559,785	**22,027**	14,180

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

(f) Major customers

Revenues from a customer in the segment of trading business contributing over 10% of the total turnover of the Group is as follow:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**405,545**	422,450

5. OTHER INCOME AND GAINS OR LOSSES

	2019	2018
	HK$'000	*HK$'000*
Interest income on bank deposit	**59**	57
Other operating income	**1,008**	—
(Loss)/gain on disposal of held-for-trading investment	**(233)**	77
Sundry income	**1,662**	1,278
	2,496	1,412

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Imputed interest on convertible bonds *(note 1)*	**10,693**	9,711
Imputed interest on promissory note	**600**	1,272
Coupon interest on promissory note	**133**	—
Interest on bank borrowings	**2,725**	62,717
Interest on other borrowings	**933**	881
Interest on lease liabilities	**581**	—
Interest on finance lease obligation *(note 2)*	**—**	23
	15,665	74,604
Less: interest on bank borrowings included in cost of sales for financial services business	**(2,373)**	(62,348)
	13,292	12,256

Notes:

(1) It represented the imputed interest on the liability component of the convertible bonds for both years.

(2) Interest on financing the acquisition of motor vehicles.

7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

		2019	2018
		HK$'000	*HK$'000*
(a)	Staff costs (including directors' emoluments):		
	Salaries, wages and other benefits	**15,144**	14,465
	Pension scheme contributions	**754**	260
		15,898	14,725
(b)	Other items:		
	Auditors' remuneration	**920**	816
	Depreciation expenses in respect of:		
	Property, plant and equipment	**1,151**	1,832
	Right-of-use assets	**4,944**	—
	Operating lease payments in respect of office premises	**—**	3,786
	Amortisation of intangible assets	**190**	—
	Impairment loss on goodwill	**—**	5,803
	Impairment loss on intangible assets	**1,205**	—
	Impairment loss on trade receivables	**4,496**	5,217
	Impairment loss on prepayments, deposits and other receivables	**2,005**	64,422
	Impairment loss on finance lease receivables	**77,458**	—

8. INCOME TAX

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million 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%.

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

8. INCOME TAX *(Continued)*

The PRC enterprise income tax has been provided at the rate of 25% (2018: 25%). Taxes on profits assessable elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

	2019	2018
	HK$'000	*HK$'000*
Hong Kong profits tax:		
— current year	**574**	—
PRC enterprise income tax:		
— current year	**—**	—
— over provision in prior years	**(1,045)**	—
	(471)	—

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

	2019	2018
	HK$'000	*HK$'000*
Loss before taxation	**(113,892)**	(119,704)
Tax at the applicable tax rate	**(18,792)**	(19,751)
Effect of different taxation rates of other countries	**(459)**	(5,958)
Effect of two-tiered profits tax rate require	**(165)**	—
Tax effect of income not taxable for tax purpose	**(11,973)**	(31,810)
Tax effect of expenses not deductible for tax purposes	**29,997**	31,840
Tax effect of tax losses not recognised	**1,986**	25,679
Over provision in respect of prior years	**(1,045)**	—
Others	**(20)**	—
Total income tax	**(471)**	—

As at 31 December 2019, the Group has unused tax losses of approximately HK$390,383,000 (2018: HK$378,347,000) 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 2019 (2018: Nil).

10. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the loss attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

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

	2019	2018
	HK$'000	*HK$'000*
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	**(84,110)**	(92,051)

	Number of shares	
	2019	2018
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**237,944**	204,009
Effect of 2015 CB (as defined in note 20(2))	**—**	17,391
	237,944	221,400

The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise prices of those options were higher than the average market price for both 2019 and 2018.

Pursuant to an ordinary resolution passed in the extraordinary general meeting of the Company held on 15 August 2019, every ten ordinary shares of HK$0.001 each in the issued and unissued share capital of the Company were consolidated into one consolidated ordinary share of HK$0.01 each in the issued and unissued share capital of the Company. As a result of the share consolidation, the weighted average number of ordinary shares adopted in the calculation of the basic and diluted loss per share for the year ended 31 December 2019 have been adjusted retrospectively.

For the year ended 31 December 2018 comparative figure has been restated with the effective of share consolidation as presented in note 24(1).

11. GOODWILL

	HK$'000
COST:	
At 1 January 2018, 31 December 2018 and 1 January 2019	5,803
Acquired through acquisition of a subsidiary *(note 25)*	5,470
At 31 December 2019	11,273
ACCUMULATED IMPAIRMENT LOSSES:	
At 1 January 2018	—
Impairment loss for the year	5,803
At 31 December 2018, 1 January 2019 and 31 December 2019	5,803
NET CARRYING AMOUNT:	
At 31 December 2019	5,470
At 31 December 2018	—

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

	HK$'000
Year ended 31 December 2019	
Corporate consulting business	**5,470**
Financial services business	**—**
	5,470

11. GOODWILL *(Continued)*

Notes:

Corporate consulting business

The goodwill was arising from the acquisition of corporate consulting business. The carrying amount of goodwill is HK$5,470,000 as at 31 December 2019.

For the year ended 31 December 2019, 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 17.19%. The cash flow projections beyond the 5 years periods are extrapolated using a growth rate at 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 of the Company are in opinion that no impairment loss was considered for the year ended 31 December 2019.

Financial services business

The goodwill was arising from the acquisition of financial services business. The carrying amount of goodwill is nil as at 31 December 2019 and 2018.

For the year ended 31 December 2018, the Group performed its annual impairment test for goodwill allocated to the cash generating unit of financial services business (the "**Financial Services Business CGU**") by comparing its recoverable amount to its carrying amount. The recoverable amount of the Financial Services Business CGU is determined based on value-in-use calculations. These calculations used cash flow projections based on a five-year financial budget approved by management. Cash flows beyond a five-year period approved by management have been extrapolated with an estimated general annual growth of not more than 3% for a five-year period. The discount rate used of for the year ended 31 December 2018 was 15.0% reflects specific risks related to the business. As at 31 December 2018, management considered to recognise full impairment of goodwill allocated to Financial Services Business CGU.

12. INTANGIBLE ASSETS

	Trading right *HK$'000*	Customer relationship *HK$'000*	Total *HK$'000*
COST:			
At 1 January 2018, 31 December 2018 and 1 January 2019	5,705	—	5,705
Acquired through acquisition of a subsidiary *(note 25)*	—	1,140	1,140
At 31 December 2019	5,705	1,140	6,845
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:			
At 1 January 2018, 31 December 2018 and 1 January 2019	—	—	—
Impairment loss for the year	1,205	—	1,205
Amortisation for the year	—	190	190
At 31 December 2019	1,205	190	1,395
NET CARRYING AMOUNT:			
At 31 December 2019	4,500	950	5,450
At 31 December 2018	5,705	—	5,705

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 of the Company with reference to a valuation report issued by an independent qualified valuer. The recoverable amount of the trading right has been determined from 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 amounted to HK$4,500,000 is lower than its carrying amount, an impairment loss of HK$1,205,000 has been recognised for the year ended 31 December 2019 (2018: Nil).

For the year ended 31 December 2019, the Group acquired the following intangible assets through the acquisition of a subsidiary. Details of the acquisition of a subsidiary are set out in note 25.

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 and is amortised on a straight-line basis over 5 years.

13. RIGHT-OF-USE ASSETS

	HK$'000
COST:	
Recognition upon initial application of HKFRS 16	**11,171**
Acquired through acquisition of a subsidiary *(note 25)*	**3,943**
Exchange realignment	**(18)**
As at 31 December 2019	**15,096**
ACCUMULATED DEPRECIATION:	
Depreciation recognised upon initial application of HKFRS 16	**1,463**
Depreciation for the year	**4,944**
Exchange realignment	**(17)**
As at 31 December 2019	**6,390**
NET CARRYING AMOUNT:	
As at 31 December 2019	**8,706**

The right-of-use assets represented 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.

14. FINANCE LEASE RECEIVABLES

	2019 ***HK$'000***	2018 *HK$'000*
Current finance lease receivables	**158,529**	547,941
Non-current finance lease receivables	**—**	5,283
	158,529	553,224
Less: Provision for impairment losses	**(77,458)**	—
	81,071	553,224

14. FINANCE LEASE RECEIVABLES *(Continued)*

Amount receivable under finance leases

	Minimum lease payment		Present value of minimum lease payment	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**172,059**	565,846	**158,529**	547,941
In more than one year but not more than two years	**—**	4,554	**—**	3,388
In more than two years but not more than five years	**—**	2,281	**—**	1,895
	172,059	572,681	**158,529**	553,224
Unearned finance income	**(13,530)**	(19,457)	**N/A**	N/A
Present value of minimum lease payment	**158,529**	553,224	**158,529**	553,224
Less: Provision for impairment losses	**(77,458)**	—	**(77,458)**	—
	81,071	553,224	**81,071**	553,224

The interest rate inherent in the leases was fixed at the contract date for the entire lease term. The interest rates of the above finance leases range from 4.81% to 9.40% per annum (2018: 4.05% to 9.40%).

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

As at 31 December 2019, the terms of finance leases entered is one year (2018: one to five years).

Impairment loss of HK$77,458,000 (2018: Nil) has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On 16 August 2019, the Group acquired 10% of the issued 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 2019, the Group's shareholding in this private company was diluted to approximately 9.9% due to further allotment of shares of the private company to investors. The increase in fair value of this financial asset of HK$32,000 has been dealt with in other comprehensive income and fair value through other comprehensive income reserve for the year ended 31 December 2019 (2018: Nil).

16. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**36,546**	7,677
Less: Provision for impairment losses	**(6,658)**	(5,217)
	29,888	2,460

The Group's trading terms with its customers are mainly on credit. The credit period is generally two months. 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.

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

	2019	2018
	HK$'000	*HK$'000*
Trade receivables from financial services business other than dealing in securities	**1,249**	—
Trade receivables from the business of dealing in securities — HKSCC	**27,579**	—
Trade receivables from corporate consulting business	**920**	—
Trade receivables from trading business	**140**	2,414
Trade receivables from information technology business	**—**	46
	29,888	2,460

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

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**590**	283
31 to 60 days	**312**	24
61 to 120 days	**978**	24
Over 120 days	**429**	2,129
	2,309	2,460

16. TRADE RECEIVABLES *(Continued)*

The movement in the expected credit loss for trade receivables for the years ended 31 December 2019 and 2018 are as follows:

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**5,217**	—
Written off of trade receivables	**(3,055)**	—
Expected credit loss for the year	**4,496**	5,217
At 31 December	**6,658**	5,217

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Prepayments	**550**	64
Trade deposit	**6,205**	6,416
Deposits and other receivables	**70,965**	171,515
	77,720	177,995
Less: Provision for impairment losses	**(63,241)**	(65,264)
	14,479	112,731

The impairment loss of HK$2,005,000 has been recognised for the year ended 31 December 2019 (2018: HK$64,422,000).

18. BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Bank overdrafts	**1,884**	—
Bank borrowings, secured — current portion *(Note)*	**3,000**	415,788
	4,884	415,788

Note:

A general banking facility amounted to HK$7.0 million was secured by a deposit of HK$4.1 million (2018: HK$4.0 million). The facility was utilised to the extent of approximately HK$3.0 million as at 31 December 2019 (2018: HK$5.0 million). This general banking facility is subject to the fulfilment of covenants relating to certain of the security coverage ratios, as are commonly found in lending arrangements with financial institutions. If any of the security coverage ratios shall at any time fall below the level required, the Group shall provide additional security acceptable to the bank and/or reduce the outstanding of the facilities designated by the bank. The Group regularly monitors its compliance with these covenants.

No bank borrowings obtained in the PRC as at 31 December 2019. As at 31 December 2018, bank borrowings obtained in the PRC were secured by the finance lease assets held by the leasee with the carrying value of approximately RMB554.1 million (equivalent to approximately HK$630.8 million). The interest rate of the bank loans was 4.0% per annum (2018: 4.0%).

19. LEASE LIABILITIES

	2019
	HK$'000
Minimum lease payment due	
— Within one year	**5,200**
— In the second to fifth years, inclusive	**3,894**
	9,094
Less: Future finance charges	**(249)**
Present value of lease liabilities	**8,845**

19. LEASE LIABILITIES *(Continued)*

	2019
	HK$'000
Within one year	**5,003**
In the second to fifth years, inclusive	**3,842**
	8,845

20. CONVERTIBLE BONDS

(1) 2008 CB

On 12 August 2008, the Company issued the convertible bonds as part of the consideration for the acquisition of forest concessions in Papua, Indonesia (the "**2008 CB**").

Subject to the restrictions specified below (the "**Conversion Restriction**"), the 2008 CB 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 CB) 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 2018 CB 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;

- The conversion of the 2018 CB 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 2018 CB 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 CB 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 CB would be redeemed in full on maturity.

By the first supplemental deed dated 30 May 2011, the maturity date of the 2008 CB 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 CB 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 CB remain unchanged.

20. CONVERTIBLE BONDS *(Continued)*

(1) 2008 CB *(Continued)*

By the second supplemental deed dated 9 July 2014, the maturity date of the 2008 CB 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 CB on a pro rata basis.

Upon effective of the second supplemental deed, the 2008 CB 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 CB was extended for 3 years and the conversion period was accordingly extended from 12 August 2017 to 12 August 2020 (the "**Existing 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 Existing Maturity Date to redeem the whole or part of the outstanding 2008 CB 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 per share.

Upon effective of the third supplemental deed, the 2008 CB 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 recognized 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 CB adjusted to HK$0.95 per Share.

The outstanding principal amount of the 2008 CB as at 31 December 2019 was HK$124,068,000 (2018: HK$124,068,000) conferring rights to convert into a total of 130,597,895 ordinary Shares (2018: 1,305,978,947 Shares).

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

20. CONVERTIBLE BONDS *(Continued)*

(1) 2008 CB *(Continued)*

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

	Third Supplemental deed	**Second Supplemental deed**	**First Supplemental deed**
Effective interest rate	10.11%	14.13%	11.66%

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

	2019	2018
	HK$'000	*HK$'000*
At the beginning of the year	**105,651**	95,940
Interest charged	**10,693**	9,711
At the end of the year	**116,344**	105,651

(2) 2015 CB

On 21 April 2015, the Company issued the convertible bonds as part of the consideration for the acquisition of Blossom Height Ventures Limited and its subsidiaries (the "**2015 CB**").

The 2015 CB are convertible at the option of the bondholders into ordinary shares in the Company at the initial conversion price of HK$0.32 per share (subject to adjustment as provided in the terms and conditions of the 2015 CB) at any time from the date of issue and ending on the fifth business day before the third anniversary of the date of issue.

As a result of open offer of shares on 10 August 2015, the conversion price of 2015 CB have been adjusted to HK$0.23.

The 2015 CB are unsecured, interest-free and have a maturity date fall on the third anniversary from the date of issue.

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 2015 CB have been adjusted to HK$2.30 per Share.

At the maturity date, any outstanding principal amount of the 2015 CB will be compulsorily converted into ordinary shares at HK$2.30 per Share. The compulsorily conversion feature of the 2015 CB is, in substance, a prepaid forward purchase of the fixed number of Shares. Accordingly, at the date of initial recognition, the fair value of the 2015 CB was wholly recognised as equity and will not be remeasured subsequently.

On 17 December 2019, 17,391,304 Shares issued as the convertible bonds with face value of HK$40,000,000 were fully converted into shares of HK$0.01 each at the conversion price of HK$2.30.

21. PROMISSORY NOTE

On 28 February 2019, the Company issued a promissory note with principal amounts of HK$8.0 million (the "**2019 PN**") as a consideration for the acquisition of MPSL Group (as defined in note 25). The 2019 PN bears interest at 2% per annum and is due on the date falling on the last day of the 12th month from the date of issue of the 2019 PN (the "**2019 PN Maturity Date**"). The maturity date is 28 February 2020. The Company has the right to repay in full or in part of the principal amount of the 2019 PN prior to the 2019 PN Maturity Date at par.

The movement of the promissory note was as follows:

	2019	2018
	HK$'000	*HK$'000*
At the beginning of the year	**—**	27,622
Issuance upon acquisition of MPSL Group (as defined in note 25)	**7,272**	—
Coupon interest charged	**133**	—
Imputed interest charged	**600**	1,272
Transfer to other payables upon maturity	**—**	(28,894)
	8,005	—

The fair value of the 2019 PN was approximately HK$7.2 million as at the issue date, calculated at the effective interest rate of 10.01% per annum. The promissory note was carried at amortised cost until settlement on due date. As a result, the carrying amount of outstanding 2019 PN was HK$8.0 million.

22. TRADE PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
Trade payables from financial services business other than dealing in securities	**—**	4,503
Trade payables from the business of dealing in securities		
— Cash clients	**58,665**	6,554
— HKSCC	**—**	—
Trade payables from trading business	**1,518**	1,285
Trade payables from information technology business	**—**	1,310
	60,183	13,652

22. TRADE PAYABLES *(Continued)*

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

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**57**	4,490
31 to 60 days	**294**	22
61 to 120 days	**26**	202
Over 120 days	**1,141**	2,384
	1,518	7,098

23. OTHER PAYABLES AND ACCRUALS

	2019	2018
	HK$'000	*HK$'000*
Other payables *(note)*	**103,872**	145,189
Accruals	**2,849**	4,520
	106,721	149,709

Note:

Included in other payable, the amounts of approximately HK$12,636,000 (2018: HK$10,671,000) and HK$31,521,000 (2018: HK$8,938,000) represented the amounts due to Mr. Cheung, the chairman, the chief executive officer and an executive Director of the Company, and loans from Mr. Wong, a substantial shareholder of the Company respectively.

The amounts due to the Director are unsecured, interest-free and no fixed repayment terms.

The loans from the shareholder are unsecured, interest bearing at 5% to 5.125% and repayable within one year. During the year ended 31 December 2019, Mr. Wong agreed to extend the repayment date of those due loans to 11 August 2020.

24. SHARE CAPITAL

	Notes	**Number of shares** ***in'000***	**Amount** ***HK$'000***
Authorised:			
As at 1 January 2018, 31 December 2018 and 1 January 2019			
Ordinary shares of HK$0.001 each		200,000,000	200,000
Share consolidation	*1*	(180,000,000)	—
As at 31 December 2019			
Ordinary shares of HK$0.01 each		20,000,000	200,000
Issued and fully paid:			
As at 31 December 2018, 1 January 2019			
Ordinary shares of HK$0.001 each		2,040,094	2,040
Placing of shares	*2*	408,000	408
Share consolidation	*1*	(2,203,285)	—
Convertible bonds converted into shares	*3*	17,391	174
As at 31 December 2019			
Ordinary shares of HK$0.01 each		**262,200**	**2,622**

Notes:

(1) Pursuant to an ordinary resolution passed in the extraordinary general meeting of the Company on 15 August 2019, every ten issued and unissued shares of the Company of HK$0.001 each were consolidated into one consolidated share of the Company of HK$0.01 each with effective on 19 August 2019.

(2) On 12 July 2019, the Company entered into a placing agreement with a placing agent whereby the Company conditionally agreed to place through the placing agent, on a best endeavor basis, up to 408,000,000 placing shares to not less than six placees at a price of HK$0.016 per placing share. The placing of shares was completed on 6 August 2019.

(3) On 17 December 2019, 17,391,304 shares were issued as the convertible bonds with face value of HK$40,000,000 were fully converted into shares of HK$0.01 each at the conversion price of HK$2.30.

25. ACQUISITION OF A SUBSIDIARY

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

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

	Fair Value
	HK$'000
Property, plant and equipment	20
Right-of-use assets	3,943
Intangible assets	1,140
Trade receivables	998
Other receivables	36
Prepayments and deposits	544
Bank balances and cash	2,654
Tax receivables	233
Trade payables	(629)
Deferred income	(3)
Receipt in advance	(33)
Deferred tax liabilities	(188)
Dividend payable	(2,970)
Lease liabilities	(3,943)
Fair value of net assets acquired	1,802

	HK$'000
Total consideration satisfied by promissory note issued at fair value *(note 21)*	7,272
Less: Fair value of net assets acquired	(1,802)
Goodwill *(note 11)*	5,470
Cash consideration paid	—
Bank balances and cash in a subsidiary acquired	2,654
Net cash inflow from acquisition of a subsidiary	2,654

26. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 4 November 2019, the Company acquired the remaining 49% equity interest of Merdeka Investment Management Limited (formerly known as Heng Asset Management Limited) ("**MIML**") at cash consideration of HK$10,000,000. MIML becomes the wholly-owned subsidiary of the Group. The Group recognised a decrease in non-controlling interests of HK$3,452,000 and a decrease in equity attributable to owners of the Company of HK$6,548,000. The effect of changes in the ownership interest of MIML on the equity attributable to owners of the Company during the year is summarised as below:

	2019
	HK$'000
Carrying amount of non-controlling interests acquired	**3,452**
Consideration paid to non-controlling interests	**(10,000)**
Excess of consideration paid recognised within equity	**(6,548)**

27. DISPOSAL OF SUBSIDIARIES/DEREGISTRATION OF SUBSIDIARIES

(a) Disposal of Merdeka Resources International Limited ("MRI")

On 1 April 2019, a subsidiary of the Group as a vendor entered into agreements with a director under normal commercial terms to dispose of its entire equity interests of MRI, at a consideration of HK$1. Gain on disposal amounted to HK$173,000 was analysed as follows:

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	12
Prepayments, deposits and other receivables	20
Other payables	(205)
	(173)
Less: Proceeds from disposal	—
Gain on disposal	(173)

The cash consideration of HK$1 from the disposal of MRI has been fully received by the Group for the year ended 31 December 2019. Net cash inflows arising on disposal is HK$1.

27. DISPOSAL OF SUBSIDIARIES/DEREGISTRATION OF SUBSIDIARIES *(Continued)*

(b) Disposal of Gold Coin Development Limited ("Gold Coin") and its subsidiary (together "Gold Coin Group")

On 23 December 2019, a subsidiary of the Company as a vendor entered into agreements with a director under normal commercial terms to dispose of its entire equity interest of Gold Coin Group at a consideration of HK$1. Gain on disposal amounted to HK$360,000 was analysed as follows:

	HK$'000
Net liabilities disposed of:	
Inventories	94
Trade receivables	44
Prepayments, deposits and other receivables	94
Trade payables	(10)
Other payables and accruals	(504)
	(282)
Non-controlling interests	(204)
	(486)
Less: Release of exchange reserve to profit or loss upon disposal	126
Less: Proceeds from disposal	—
Gain on disposal	(360)

The cash consideration of HK$1 from the disposal of Gold Coin Group has been fully received by the Group for the year ended 31 December 2019. Net cash flows arising on disposal is HK$1.

(c) Deregistration of Veda (Yan'an) Corporate Services Limited ("Yan'an")

On 11 July 2019, the Group deregistered Yan'an, a wholly-owned subsidiary in PRC.

	HK$'000
Release of exchange reserve upon deregistration of a subsidiary	6
Loss on deregistration	6

Upon deregistration of this subsidiary, the cumulative amount of the exchange differences relating to this foreign operation, recognised in other comprehensive income and accumulated in the translation reserve, has been reclassified from equity to profit or loss in accordance with HKAS 21.

27. DISPOSAL OF SUBSIDIARIES/DEREGISTRATION OF SUBSIDIARIES *(Continued)*

(d) Deregistration of Netgenii Technology Limited ("Netgenii")

On 25 January 2019, the Group deregistered Netgenii, a non-wholly owned subsidiary in Hong Kong. Gain on disposal amounted to HK$1,210,000 was analysed as follows:

	HK$'000
Net liabilities deregistered of:	
Bank balances	76
Prepayments, deposits and other receivables	130
Trade payables	(1,300)
	(1,094)
Less: Non-controlling interests	(116)
Gain on deregistration	(1,210)

28. RELATED PARTY TRANSACTIONS

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

Name of related party	**Relationship**	**Nature of transaction**	**2019** ***HK$'000***	2018 *HK$'000*
Wong Hin Shek	Shareholder of the Company	Loan interest payable	**990**	58

Compensation of key management personnel of the Group

	2019 ***HK$'000***	2018 *HK$'000*
Short term employee benefits	**2,189**	6,600
Post-employment benefits	**35**	54
Total compensation paid to key management personnel	**2,224**	6,654

29. EVENTS AFTER REPORTING PERIOD

(a) Impact of novel coronavirus outbreak

Since the outbreak of Coronavirus Disease 2019 ("**COVID-19**") in January 2020, a series of precautionary and control measures have been and continued to be implemented across the counties including but not limited to the subsequent quarantine measures and travel restrictions imposed by the respective local government. The COVID-19 has impacts on the business operation for various industries and overall global economy. It is expected that the COVID-19 has certain impact of the financial performance of the Group in the first half of 2020. The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group.

(b) (i) Proposed rights issue on the basis of four (4) rights shares for every one (1) existing share held on the record date; (ii) Connected transaction — subscription of convertible bonds under specific mandate; and (iii) Connected transaction — proposed amendments to the terms of the 2008 convertible bonds

(i) The Company proposed to implement the rights issue on the basis of four (4) rights shares for every one (1) existing share of the Company held on the record date at the subscription price of HK$0.110 per rights share, to raise not less than approximately HK$115.37 million before expenses (assuming no outstanding share options being exercised), and not more than approximately HK$115.38 million before expenses (assuming all outstanding share options being exercised) by issuing not less than 1,048,802,876 rights shares and not more than 1,048,935,672 rights shares.

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

(iii) On 10 January 2020, the Company and the holder(s) ("**CB Holders**") of the 2008 CB entered into the fourth supplemental deed, pursuant to which the Company and the CB Holders conditionally agreed to amend certain terms of the 2008 CB such that (a) the maturity date of the 2008 CB 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 CB 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 CB shall remain unchanged and valid.

Details are set out in the Company's announcements dated 10 January 2020, and 20 March 2020 and the Company's circular dated 27 March 2020.

29. EVENTS AFTER REPORTING PERIOD *(Continued)*

(c) Extension of the maturity date of the promissory note

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

Details are set out in the Company's announcement dated 28 February 2020.

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

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

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

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 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRSs issued by the HKICPA 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 2 in the consolidated financial statements, which indicates that the Group incurred a net loss of HK$113,421,000 during the year ended 31 December 2019 and, as of that date, the Company's current liabilities exceeded its current assets by HK$128,453,000. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, 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 2019, the Group is principally engaged in (i) financial services business including the securities brokerage services, provision of corporate finance advisory services, asset management business, money lending services and financial leasing business; (ii) corporate consulting business including company secretarial services, accounting and financial reporting services and management consulting services; (iii) trading business; and (iv) information technology business.

For the year ended 31 December 2019, the Group recorded revenue of approximately HK$482.7 million (2018: approximately HK$559.8 million). Loss for the year attributable to owners of the Company was approximately HK$84.1 million (2018: approximately HK$92.1 million). Basic and diluted loss per share was approximately HK$0.35 (2018: approximately HK$0.42). The net loss for the year was mainly attributable from the impairment loss on finance lease receivables.

Financial services business

The revenue for the year ended 31 December 2019 of the financial services business was approximately HK$11.8 million (2018: approximately HK$73.8 million) and a segment loss of approximately HK$88.6 million (2018: approximately HK$88.1 million). The segment loss was mainly due to the impairment loss on finance lease receivables of approximately HK$77.5 million.

During the year under review, the financial leasing services business in the PRC faced various competitions from other financial leasing companies of different sizes in the PRC. Only few financial leasing contracts with a narrow interest margin were concluded together with some material financial leasing contracts matured during the year under review that led to lesser interest income recognised. Those commercial banks referring customers previously were unwilling to or were not be able to refer new customers with larger business size due to their tightening fiscal policy and stricter lending conditions.

As at 31 December 2019, the Company engaged an independent qualified valuer to determine the expected credit losses (the "**ECL**") of the Group's finance lease receivables. In assessing the ECL of the Group's finance lease receivables, a credit rating analysis of the underlying debtors was adopted by reviewing the historical accounting information, credit assessment and including forward-looking information to estimate the default risk. The Group applied different expected loss rates to different classes of receivables according to their respective risk characteristics. In determining the default risk, factors including but not limited to, the past default history, the duration of the underlying finance lease, the existence and valuation of the collaterals, the possibility of adverse change in the debtor's business environment and the debtor's financial position, would be considered. The rate of ECL is approximately 49% depending on the nature, probability of default and loss given default of the loans receivable.

In the course of preparing the financial statements for the year ended 31 December 2019, the Company had engaged an independent qualified valuer to determine the recoverable amount of the trading right of the businesses carrying out the regulated activities of Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"). The recoverable amount of the trading right has been determined from fair value less cost of disposal, which is primarily making reference to the recent sales of similar transactions in the market. During the year ended 31 December 2019, an impairment loss on intangible assets of approximately HK$1.2 million was recognised.

In August 2019, the Group, through Merdeka Corporate Finance Limited, a wholly-owned subsidiary of the Company, successfully obtained a license from the Securities and Futures Commission of Hong Kong (the "**SFC**") to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO and expanded its financial service business into the provision of advisory services on corporate finance. The corporate finance advisory services contributed approximately HK$1.3 million revenue to the Group for the year ended 31 December 2019 which were mainly generated from approximately nine engagements.

On 4 November 2019, the Group also completed the acquisition of the remaining 49% equity interest in MIML, which then became a wholly-owned subsidiary of the Company and carries out Type 4 (advising on securities) and Type 9 (asset management) regulated activities as defined under the SFO. During the year under review, no revenue was recorded in asset management business.

However, subsequent to the financial year end, in January 2020, MIML was appointed as the investment manager of an open-ended Cayman Islands investment fund, with assets under management of approximately US$100 million and an investment scope including but not limited to, investing on private equity, secondary market, fixed income products, etc., in return for management fees.

Corporate consulting business

Upon the completion of the acquisition of MPSL Group on 28 February 2019, the Group has diversified its business into corporate consulting services including company secretarial services, accounting and financial reporting services and management consulting services. The revenue and the segment profit for the year ended 31 December 2019 was approximately HK$8.9 million and HK$2.6 million respectively.

Trading business

The revenue of the trading business for the year ended 31 December 2019 was approximately HK$462.0 million (2018: approximately HK$485.5 million) and a segment loss of approximately HK$2.9 million (2018: approximately HK$3.9 million). Trading business is one of the core businesses of the Group which contributed approximately 95.7% of the Group's revenue for the year ended 31 December 2019. Having our trading outlet located in Sheung Shui, where is the most convenient location for the PRC visitors shopping for confectioneries, daily and pharmacy products, the source of revenue was comparatively stable. However, as the entry barrier of this trading business is low leading to fierce competition, the gross profit margin is comparatively thin.

Information technology business

The information technology business recorded nil revenue (2018: approximately HK$0.5 million) and a segment loss of approximately HK$0.7 million (2018: approximately HK$3.5 million) for the year ended 31 December 2019.

On 23 December 2019, the Group disposed of its entire equity interest in Gold Coin Group to Mr. Cheung Wai Yin, Wilson ("**Mr. Cheung**"), the chairman, the chief executive officer and an executive Director of the Company, at a consideration of HK$1. The disposal resulted in a gain on disposal of approximately HK$0.4 million. The disposal was classified as a fully exempted connected transaction under Chapter 20 of the GEM Listing Rules.

Held-for-trade investments

As at 31 December 2019, the Group did not have any portfolio of listed securities investments. Details of the significant gains/(losses) for the year ended 31 December 2018 were as below:

Gains/(losses) for the year ended 31 December 2018

Name of listed securities	Stock code	Realised gains *HK$'000*	Unrealised gains *HK$'000*	Dividend received *HK$'000*
China LNG Group Limited	931	77	(98)	—

Held-for-trade securities investments as at 31 December 2018

Name of listed securities	Stock code	Brief description of the business	Number of shares held	Proportion of shares held	Investment cost *HK$'000*	Market value *HK$'000*	Approximate Percentage to total assets value of the Group
China LNG Group Limited	931	Development of LNG business	360,000	0.006%	715	428	0.11%

The Group disposed all of the listed securities during the year ended 31 December 2019 and reallocated financial resources to other business segments.

OUTLOOK

Financial services business

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

Given the downturn of the PRC financial leasing business, it is the Group's strategy to strengthen and expand its licensed financial services business under the Securities and Futures Commission of Hong Kong. In August 2019, the Group successfully obtained a license from the SFC to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO and expanded its financial service business into the provision of advisory services on corporate finance. Furthermore, upon the completion of the acquisition of the remaining 49% equity interest in MIML in November 2019, the Group expanded its financial service business to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities as defined under the SFO. Apart from the existing engagement in January 2020 as an investment manager of an open-ended Cayman Islands investment fund with assets of approximately US$100 million, MIML is in preliminary discussion with 2 potential investors and/or private funds to act as investment manager/advisor to provide discretionary investment management solutions in return for management/advisory fees.

The Group will continue to explore business opportunities within the financial services business segment and if suitable opportunities arise, the Group will expand its traditional financial services business into the financial technology industry in order to capture the potential growth of such segment and potentially to create synergy effect with the Group's existing financial services business.

Further to the Group's investment in minority stake of YAS Digital Limited in August 2019, Joy Sunny Investment Limited, a wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding with two independent third parties on 20 March 2020 regarding the Group's intention to acquire certain number of shares of YAS Digital Limited owned by the YAS Vendors at a consideration subject to further negotiation by the parties thereto.

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. The Group grasped the opportunity in the development of the corporate governance and compliance industry by completion of the acquisition of the corporate consulting business in February 2019, which will further enhance the revenue stream of Group in the foreseeable future.

Trading business

Given The World Health Organisation has declared the novel coronavirus outbreak a public health emergency of international concern on 31 January 2020. Hong Kong's Department of Health has introduced the compulsory quarantine arrangement to persons arriving at Hong Kong from foreign places on 19 March 2020, and noticed the public should go out less and reduce social activities, and maintain appropriate social distance with other people as far as possible. Hong Kong has also restricted travel from the PRC by suspending train services and closing certain borders with the PRC. The number of flights from the PRC has been reduced significantly and person travel permits for people from the PRC have also been suspended.

All these additional virus-control policies will hit the Hong Kong tourism industry hard. Due to the big reduction in the number of PRC tourists visiting Hong Kong, it is expected that there is a sharp decline in revenue of the trading business of the Group as it relies heavily on the PRC tourists consumption. Recently, the business environment for retail trade has become even more difficult, with the threat of the novel coronavirus infection heavily weighing on inbound tourism and local consumption sentiment. The near-term outlook for retail sales depends critically on how the situation of the novel coronavirus infection will evolve and therefore, the trading business of the Group remains uncertain.

Despite the outbreak of novel coronavirus, the Group expects that the expansion in its service scope in financial industry, including the provision of advisory services on corporate finance and asset management services during the year ended 31 December

2019 could compensate the estimated significantly decrease in revenue and profit margin of the trading business, hence it is expected that the overall business performance of the Group would not be significantly influenced in the coming year.

FINAL DIVIDEND

The Board resolved not to recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 31 December 2019, the Group recorded cash and bank balances (including trust accounts) amounting to approximately HK$47.1 million (2018: approximately HK$18.8 million) and the net current liabilities value was approximately HK$128.5 million (2018: net current assets was approximately HK$103.2 million).

The Group's gearing ratio as at 31 December 2019 was approximately 0.66 (2018: approximately 0.75), being a ratio of total interest-bearing debts, including borrowings, convertible bonds and promissory note of approximately HK$129.2 million (2018: approximately HK$521.4 million) to the total assets of approximately HK$197.1 million (2018: approximately HK$697.5 million).

USE OF PROCEEDS FROM SHARE PLACING

The Company completed a placing of shares on 6 August 2019 pursuant to which the Company issued 408,000,000 ordinary shares of the Company of HK$0.001 each at the placing price of HK$0.016 per placing share. The net proceeds from the placing of shares was approximately HK$6.26 million and intended to be used as i) approximately HK$3.10 million as to salary, Director's fee and mandatory provident fund schemes; ii) approximately HK$1.50 million as to rent and rates; and iii) approximately HK$1.66 million as to maintain and expand into financial services business. The Company fully utilised the net proceeds as intended during the year ended 31 December 2019.

FINANCIAL ASSISTANCES RECEIVED BY THE COMPANY

During the year ended 31 December 2019, Mr. Cheung, the chairman, the chief executive officer and an executive Director of the Company, advanced fund of approximately HK$12.6 million (2018: HK$13.6 million) to the Company at no interest, no security and no fixed repayment terms.

On 28 September 2018, Mr. Wong, the substantial shareholder of the Company, entered into 1st loan agreement with the Company in which Mr. Wong agreed to grant an unsecured loan facility to the Company in the principal amount of up to HK$25,000,000 at an interest rate of 5.125% per annum with an availability period from 28 September

2018 up to 30 September 2019. The loan will be matured after twelve months from the drawdown date. During the year ended 31 December 2019, Mr. Wong agreed to extend the repayment date of those due loans to 11 August 2020.

On 30 October 2019, Mr. Wong entered into 2nd loan agreement with the Company in which Mr. Wong agreed to grant an unsecured loan facility to the Company in the principal amount of HK$10,000,000 at an interest rate of 5.0% per annum. The loan will be matured on 29 October 2020.

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

PLEDGE OF ASSETS

As at 31 December 2019, the Group pledged bank deposits of approximately HK$4.1 million (2018: approximately HK$4.0 million) to secure banking facilities of the Group.

CAPITAL STRUCTURE

On 6 August 2019, 408,000,000 ordinary shares of the Company of HK$0.001 each were issued at the placing price of HK$0.016 per placing share.

On 19 August 2019, the Company implemented a share consolidation with the basis that every ten issued and unissued shares of the Company of HK$0.001 each were consolidated into one consolidated share of the Company of HK$0.01 each.

On 17 December 2019, 17,391,304 ordinary shares of the Company were issued upon the conversion of the convertible bond with face value of HK$40 million at a conversion price of HK$2.3 per share.

On 22 November 2019, pursuant to the approval from the Board and consent from each of the relevant share option holder, 21,303,061 share options were cancelled.

Save as disclosed, the Company had no other changes in capital structure during the year ended 31 December 2019.

CONVERTIBLE BONDS

As at 31 December 2019, the Company had a zero coupon convertible bond with principal amount of approximately HK$124.1 million (2018: approximately HK$124.1 million) conferring rights to convert into a total of 130,597,895 ordinary shares upon the effective of share consolidation on 19 August 2019 (2018: 1,305,978,947 ordinary shares) with the conversion price of HK$0.95 per Share (2018: HK$0.095 per Share).

INVESTMENT POSITION AND PLANNING

Acquisition of 100% equity interest in Merdeka Professional Services Limited

On 18 February 2019, the Company through a direct wholly-owned subsidiary entered into a sale and purchase agreement, pursuant to which the Company conditionally agreed to acquire the entire interest in MPSL Group (the "**Acquisition**") at a consideration of HK$8,000,000, which was settled by way of issue of the promissory note by the Company. MPSL Group is principally engaged in corporate consulting services including company secretarial services, accounting and financial reporting services and management consulting services. The completion of the Acquisition took place on 28 February 2019. MPSL become an indirect wholly-owned subsidiary of the Company and financial results of the MPSL Group were consolidated into the financial statements of the Company. Details of the Acquisition are set out in the announcements of the Company dated 18 February 2019 and 28 February 2019.

Disposal of 100% equity interest of Merdeka Resources International Limited

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

Acquisition of the remaining 49% equity interest of Merdeka Investment Management Limited (formerly known as Heng Asset Management Limited)

On 4 November 2019, the Company acquired the remaining 49% equity interest of MIML at cash consideration of HK$10,000,000. Details are set out in the announcements of the Company dated 27 August 2019 and 4 November 2019.

Disposal of 100% equity interest of Gold Coin Development Limited

On 23 December 2019, End User Investments Limited, a direct wholly-owned subsidiary of the Company, as vendor entered into a sale and purchase agreement with Mr. Cheung, the chairman, the chief executive officer and an executive Director of the

Company, as purchaser to dispose of the entire issued share capital of Gold Coin and the sale loan in cash at a total consideration of HK$1. The completion of the disposal took place on 23 December 2019 and Gold Coin ceased to be the subsidiary of the Company. The disposal was classified as fully exempted connected transaction under Chapter 20 of the GEM Listing Rules.

LITIGATION

On 22 January 2015, the Company received a writ of summons (HCA 170 of 2015) issued in the Court of First Instance of the High Court of Hong Kong (the "**High Court**") by Mr. Au Kai To Karel, as the plaintiff claiming against (i) End User Technology Limited ("**End User**"), an indirect wholly-owned subsidiary of the Company, as the first defendant; (ii) the Company, as the second defendant; and (iii) Lau Chi Yan Pierre, the then managing Director and executive Director, as the third defendant for, inter alia, (1) specific performance of an agreement dated 2 May 2013 in relation to a discloseable transaction of the Company (details of which were disclosed in the announcement of the Company dated 2 May 2013); (2) alternatively, the damages in the sum of HK$8,000,000 in lieu of specific performance; (3) the interest; (4) further and/or other relief; and (5) the costs.

On 29 September 2017, the Company received a judgement dated 29 September 2017 handed down by the High Court (the "**Judgement**") ordering, among others, that the Company and End User, to pay, jointly and severally, damages to Mr. Au Kai To Karel in the sum of HK$4.4 million.

As announced by the Company in its announcement on 14 November 2017, the Company has appealed against the Judgment by way of Notice of Appeal filed on 25 October 2017 with the Court of Appeal (the "**Appeal**") (CACV 237 of 2017) and has taken steps to seek further legal advice on the Judgement, the Appeal, and other appropriate actions to be taken thereon.

On 13 November 2017, the Company received a petition made by Mr. Au Kai To Karel (the "**Petition**") in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the laws of Hong Kong (the "**CWUMPO**") from the High Court (HCCW 343 of 2017) that the Company may be wound up by the High Court under the provisions of the CWUMPO on the ground that the Company is deemed to be unable to pay the sum of HK$4.4 million as stipulated therein the Judgement.

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

On 4 January 2019, the Court of Appeal allowed the Company's appeal despite dismissing End User's appeal. Reasons for judgement was handed down on 18 January 2019.

On 20 May 2019, the High Court ordered that the Petition made by Mr. Au Kai To Karel (the "**Petitioner**") under HCCW 343 of 2017 to wind up the Company be dismissed with costs payable by the Petitioner to the Company. Application for the return of HK$4.4 million together with the interest accrued to the Company has been submitted to the High Court. On the hearing of the High Court on 18 December 2019, the High Court ordered that such application be adjourned sine die and costs be reserved. It was ordered by the High Court that the case be placed before a judge of the Court of Appeal for direction or determination. The case is currently pending the direction or determination of the Court of Appeal.

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

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

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

FOREIGN CURRENCY RISK

The Group's reporting currency is Hong Kong dollar. During the year ended 31 December 2019, most of the Group's transactions were denominated in Hong Kong dollars ("**HK$**") and Renminbi ("**RMB**"). The Group had exposure to the risk of exchange rate fluctuations for RMB on account of its cost of financial leasing and information technology operations in the PRC. The Group did not formally employ any hedging instruments or derivative products considering the relevant costs and benefits. However, the Group will continue to monitor closely the exchange rate risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed 41 staff (2018: 35). The Group's remuneration policy is based on principle of equality, motivating, performance-oriented and market-competitiveness. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits included provident fund contributions, medical insurance coverage and performance related bonuses. A share option scheme is also established to reward and motivate the employees of the Group.

CONNECTED TRANSACTIONS

Save as disclosed in this announcement, 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 2019.

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 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the year ended 31 December 2019, to the best knowledge of the Board, the Company has applied the principles and complied with all the applicable code provisions set out in the Corporate Governance Code in Appendix 15 of the GEM Listing Rules except for the following deviations:

Code Provision A.2.1

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

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

As at 31 December 2019, the Board composed of five Directors including three independent non-executive Directors with a balance of skills and experience appropriate for the requirements of the Group. Furthermore, the roles of the management of the Company's major operating subsidiaries are performed by the Directors and other individuals. The balance of power and authority is therefore ensured by the current structure of the Board. Whilst it does not believe that such role separation will improve the corporate performance, the Board, as well as the Company, intends to comply with this code provision by seeking and appointing suitable candidate with appropriate background, acknowledge, experience and calibre to assume the role as the chairman of the Company.

Code Provision A.4.2

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

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

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

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

Code Provision A.6.7

The code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings, to gain and develop a balanced understanding of the views of shareholders.

An independent non-executive Director could not attend the AGM held on 20 June 2019 due to other important business engagements.

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 with specific written terms of reference formulated in accordance with the requirements of the GEM Listing Rules. The primary duties of the Audit Committee are to ensure the objectivity and credibility of the Company's financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditor of the Company.

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

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2019 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 2019 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 on or before 15 May 2020.

ANNUAL GENERAL MEETING

The forthcoming AGM (the "**2020 AGM**") will be held on Monday, 29 June 2020 and a notice of the 2020 AGM will be published and despatched to the Shareholders in the manner as required by the GEM Listing Rules in due course.

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

Hong Kong, 4 May 2020

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

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.