



MERDEKA 領智

MERDEKA FINANCIAL GROUP LIMITED

領智金融集團有限公司

STOCK CODE 股份代號: 8163

Financial Services

Insurance Technology

Corporate Consulting

FinTech

2021 第一季度報告
First Quarterly Report

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

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

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

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

香港聯合交易所有限公司(「聯交所」) GEM (「GEM」) 的特色

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

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

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UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2021

The board (the “**Board**”) of Directors is pleased to announce the unaudited condensed consolidated quarterly results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2021, together with the comparative unaudited figures for the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2021

	Notes	Three months ended 31 March	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000 (Restated)
REVENUE	2.1	6,596	13,967
Cost of sales		(1,552)	(6,672)
Gross profit		5,044	7,295
Other income and gains or (losses)	3	1,590	367
Operating and administrative expenses		(8,352)	(7,440)
Reversal of impairment loss on trade receivables		61	—
Reversal of impairment loss on other receivables		—	8,950
Finance costs	4	(2,778)	(3,559)
(LOSS)/PROFIT BEFORE INCOME TAX	5	(4,435)	5,613
Income tax expense	6	(171)	(590)
(LOSS)/PROFIT FOR THE PERIOD		(4,606)	5,023
(Loss)/profit attributable to:			
Owners of the Company		(4,606)	1,963
Non-controlling interests		—	3,060
		(4,606)	5,023
		HK\$	HK\$
(LOSS)/PROFIT PER SHARE			
— Basic	8	(0.003)	0.005*
— Diluted	8	(0.003)	0.005*

* Adjusted for the effect of the bonus element of the rights issue on 22 June 2020.

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

For the three months ended 31 March 2021

	Three months ended 31 March	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
(LOSS)/PROFIT FOR THE PERIOD	(4,606)	5,023
Other comprehensive income: <i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	29	(3,564)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(4,577)	1,459
Total comprehensive income attributable to:		
Owners of the Company	(4,543)	(200)
Non-controlling interests	(34)	1,659
	(4,577)	1,459

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 March 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	533	750
Statutory deposit		510	510
Goodwill	10	5,470	5,470
Intangible assets	11	3,565	3,622
Right-of-use assets	12	2,544	3,630
Financial assets at fair value through other comprehensive income		2,730	2,730
Financial assets at fair value through profit or loss		487	487
Total non-current assets		15,839	17,199
Current assets			
Inventories		345	377
Trade receivables	13	3,445	15,253
Prepayments, deposits and other receivables		8,259	8,339
Loans receivable	14	11,016	11,032
Finance lease receivables	15	—	—
Financial assets at fair value through profit or loss		1,722	1,010
Bank balances — trust accounts	16	25,088	27,378
Bank balances and cash — general accounts	16	26,335	27,610
Total current assets		76,210	90,999
Current liabilities			
Borrowings	17	571	851
Lease liabilities	18	2,244	3,354
Trade payables	19	27,726	40,864
Other payables and accruals		41,056	42,801
Tax payables		740	559
Total current liabilities		72,337	88,429
Net current assets		3,873	2,570
Total assets less current liabilities		19,712	19,769

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	As at 31 March 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Non-current liabilities			
Deferred tax liabilities		588	598
Convertible bonds	20	76,625	73,872
Total non-current liabilities		77,213	74,470
Net liabilities		(57,501)	(54,701)
EQUITY			
Share capital	21	13,752	13,232
Reserves		(79,301)	(76,015)
Equity attributable to owners of the Company		(65,549)	(62,783)
Non-controlling interests		8,048	8,082
Total deficiency		(57,501)	(54,701)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2021

	Attributable to owners of the Company												Total equity (Unaudited) HK\$'000
	Issued capital (Unaudited) HK\$'000	Share premium* (Unaudited) HK\$'000	Contributed surplus* (Unaudited) HK\$'000	Equity component of		Capital reduction reserve* (Unaudited) HK\$'000	Exchange fluctuation reserve* (Unaudited) HK\$'000	Fair value through other comprehensive income			Non-controlling interests (Unaudited) HK\$'000		
				convertible bonds* (Unaudited) HK\$'000	Share option reserve* (Unaudited) HK\$'000			reserve* (Unaudited) HK\$'000	Other reserve* (Unaudited) HK\$'000	Accumulated losses* (Unaudited) HK\$'000		Total (Unaudited) HK\$'000	
As at 1 January 2020	2,622	993,392	66,710	22,728	25,004	163,191	(10,997)	32	(6,548)	(1,400,237)	(144,103)	34,739	(109,364)
Comprehensive income													
Profit for the period	—	—	—	—	—	—	—	—	—	1,963	1,963	3,060	5,023
Other comprehensive income													
Exchange difference arising on translation of foreign operation	—	—	—	—	—	—	(2,163)	—	—	—	(2,163)	(1,401)	(3,564)
Total comprehensive income	—	—	—	—	—	—	(2,163)	—	—	1,963	(200)	1,659	1,459
As at 31 March 2020	2,622	993,392	66,710	22,728	25,004	163,191	(13,160)	32	(6,548)	(1,398,274)	(144,303)	36,398	(107,905)
As at 1 January 2021	13,232	1,096,884	66,710	51,928	25,004	163,191	(13,824)	730	(6,548)	(1,460,090)	(62,783)	8,082	(54,701)
Comprehensive income													
Profit for the period	—	—	—	—	—	—	—	—	—	(4,606)	(4,606)	—	(4,606)
Other comprehensive income													
Exchange difference arising on translation of foreign operation	—	—	—	—	—	—	63	—	—	—	63	(34)	29
Total comprehensive income	—	—	—	—	—	—	63	—	—	(4,606)	(4,543)	(34)	(4,577)
Recognition of equity-settled share-based payment expense	—	—	—	—	997	—	—	—	—	—	997	—	997
Proceeds from exercise of share options	520	260	—	—	—	—	—	—	—	—	780	—	780
Exercise of share options	—	384	—	—	(384)	—	—	—	—	—	—	—	—
As at 31 March 2021	13,752	1,097,528	66,710	51,928	25,617	163,191	(13,761)	730	(6,548)	(1,464,696)	(65,549)	8,048	(57,501)

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2021

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

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

The unaudited condensed consolidated quarterly results should be read in conjunction with the Group’s audited annual financial statements for the year ended 31 December 2020 (the “**2020 Annual Report**”). The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the 2020 Annual Report.

The Group has adopted the standards, amendments and interpretations that have been issued and effective for the accounting period beginning on 1 January 2021. The adoption of such standards, amendments and interpretations does not have material financial effect on this quarterly results.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three months ended 31 March 2021

2. REVENUE AND SEGMENT REPORTING

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

	Three months ended 31 March	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Financial services business	3,549	4,845
Corporate consulting business	1,297	1,768
Trading business	1,750	7,354
	6,596	13,967

2.2 Segment reporting

(a) Reportable segments

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three months ended 31 March 2021

2. REVENUE AND SEGMENT REPORTING (Continued)

2.2 Segment reporting (Continued)

(a) Reportable segments (Continued)

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

(b) Segment revenue and results

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

For three months ended 31 March 2021

	Financial services business HK\$'000 (Unaudited)	Corporate consulting business HK\$'000 (Unaudited)	Trading business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue	3,549	1,297	1,750	6,596
Segment profit/(loss)	1,785	(155)	(29)	1,601
Finance costs				(2,766)
Unallocated corporate expenses				(3,270)
Loss before income tax				(4,435)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three months ended 31 March 2021

2. REVENUE AND SEGMENT REPORTING (Continued)

2.2 Segment reporting (Continued)

(b) Segment revenue and results (Continued)

For three months ended 31 March 2020

	Financial services business HK\$'000 (Unaudited)	Corporate consulting business HK\$'000 (Unaudited)	Trading business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue	4,845	1,768	7,354	13,967
Segment profit	2,587	404	23	3,014
Reversal of impairment loss on other receivables				8,950
Finance costs				(3,433)
Unallocated corporate expenses				(2,918)
Profit before income tax				5,613

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three months ended 31 March 2021

2. REVENUE AND SEGMENT REPORTING (Continued)

2.2 Segment reporting (Continued)

(c) Segment assets and liabilities

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

	31 March 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Segment assets		
Financial services business	62,605	69,705
Corporate consulting business	11,841	11,710
Trading business	6,425	6,400
Total segment assets	80,871	87,815
Unallocated bank balances and cash	2,477	11,309
Unallocated corporate assets	8,701	9,074
Consolidated total assets	92,049	108,198
Segment liabilities		
Financial services business	29,951	44,034
Corporate consulting business	626	973
Trading business	3,569	3,415
Total segment liabilities	34,146	48,422
Convertible bonds	76,625	73,872
Unallocated corporate liabilities	38,779	40,605
Consolidated total liabilities	149,550	162,899

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three months ended 31 March 2021

2. REVENUE AND SEGMENT REPORTING (Continued)

2.2 Segment reporting (Continued)

(d) Geographical information

For the three months ended 31 March 2021 and 2020, the Group's revenue from external customers is derived solely from its operations in Hong Kong (place of domicile), where all of the Group's non-current assets are located in Hong Kong. The geographical location of external customers is based on the location at which the goods are delivered and services rendered.

(e) Major customers

Revenues from customers in the segment of trading business contributing over 10% of the total turnover of the Group are as follows:

	Three months ended 31 March	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Customer A — trading business	840	3,859
Customer B — financial services business	700	—
	1,540	3,859

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three months ended 31 March 2021

3. OTHER INCOME AND GAINS OR (LOSSES)

	Three months ended 31 March	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Interest income on bank deposit	2	—
Other operating income	140	252
Changes in fair value of financial assets at fair value through profit or loss	712	—
Gain on disposal of a subsidiary (Note 1)	1	—
Loss on deregistration of a subsidiary (Note 2)	(16)	—
Waiver of other payables	703	—
Sundry income	48	115
	1,590	367

Notes:

1. On 26 March 2021, the Company as a vendor entered into an instrument of transfer with an independent third party, to dispose of its entire equity interest of Galaxy PAM Asset Management (Cayman Islands) Limited, at a consideration of HK\$90,000. The gain on disposal of a subsidiary amounted to HK\$1,000 has been recognised in the condensed consolidated statement of profit or loss for the three months ended 31 March 2021.
2. On 25 February 2021, the Group deregistered 領智恒泰(北京)商務諮詢有限公司, an indirect wholly-owned subsidiary of the Company. Loss on deregistration of a subsidiary amounted to HK\$16,000 has been recognised in the condensed consolidated statement of profit or loss for the three months ended 31 March 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three months ended 31 March 2021

4. FINANCE COSTS

	Three months ended 31 March	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Imputed interest charge on convertible bonds (Note 1)	2,753	2,839
Imputed interest charge on promissory note (Note 2)	—	128
Coupon interest charge on promissory note (Note 2)	—	27
Interest charge on bank borrowings	—	91
Interest charge on other borrowings	—	410
Interest on lease liabilities	25	64
	2,778	3,559

Note:

1. It represents the imputed interest on the liability component of the convertible bonds for both periods.
2. Upon the completion of the subscription and issue of convertible bonds to Team Sunny International Holdings Limited (“**Team Sunny**”) on 21 May 2020, all the principal amount of promissory note was offset and settled.

Details are set out in 2020 Annual Report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three months ended 31 March 2021

5. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Three months ended 31 March	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Depreciation expenses in respect of:		
Property, plant and equipment	217	260
Right-of-use assets	1,086	1,243
Amortisation of intangible assets	57	57
Staff costs (including Directors' emoluments)	5,271	3,880

6. INCOME TAX EXPENSE

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

The subsidiaries established in the People's Republic of China (the "PRC") are subject to enterprise income tax at tax rates of 25% for both periods ended 31 March 2021 and 2020.

	Three months ended 31 March	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Hong Kong profits tax:		
— current	181	631
Deferred tax	(10)	(41)
	171	590

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three months ended 31 March 2021

7. DIVIDEND

No quarterly dividend has been paid or declared by the Company during the three months ended 31 March 2021 (three months ended 31 March 2020: Nil).

8. (LOSS)/PROFIT PER SHARE

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

	Three months ended 31 March	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
(Loss)/profit attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	(4,606)	1,963

	Number of shares Three months ended 31 March	
	2021 '000 (Unaudited)	2020 '000 (Unaudited) (Restated)
Weighted average number of ordinary shares for the purpose of basic (loss)/profit per share	1,338,844	409,689
Effect of dilutive potential ordinary shares — share options	80,320	—
Weighted average number of ordinary shares for the purpose of diluted (loss)/profit per shares	1,419,164	409,689

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three months ended 31 March 2021

8. (LOSS)/PROFIT PER SHARE (Continued)

The calculation of basic (loss)/profit per share is based on the (loss)/profit attributable to ordinary equity shareholders of the Company, and the weighted average number of 1,338,844,000 (three month ended 31 March 2020: 409,689,000 adjusted for the effect of the bonus element of the rights issue on 22 June 2020) ordinary shares in issue.

The computation of diluted (loss)/profit per share for the three months ended 31 March 2021 does not assume the exercise of the Company's conversion option of convertible bonds (three months ended 31 March 2020: share options and conversion option of convertible bonds) because the exercise prices of those options were higher than the average market price.

9. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 March 2021, the Group had no addition of property, plant and equipment (year ended 31 December 2020: additions of leasehold improvement, computer and office equipment of approximately HK\$65,000).

10. GOODWILL

	HK\$'000
COST:	
At 1 January 2020 (audited), 31 December 2020 (audited), 1 January 2021 (audited) and 31 March 2021 (unaudited)	11,273
ACCUMULATED IMPAIRMENT LOSSES:	
At 1 January 2020 (audited), 31 December 2020 (audited), 1 January 2021 (audited) and 31 March 2021 (unaudited)	5,803
NET CARRYING AMOUNT:	
At 31 March 2021 (unaudited)	5,470
At 31 December 2020 (audited)	5,470

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three months ended 31 March 2021

11. INTANGIBLE ASSETS

	Trading Right HK\$'000	Customer Relationship HK\$'000	Total HK\$'000
COST:			
At 1 January 2020 (audited), 31 December 2020 (audited), 1 January 2021 (audited) and 31 March 2021 (unaudited)	5,705	1,140	6,845
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:			
At 1 January 2020 (audited)	1,205	190	1,395
Impairment loss for the year	1,600	—	1,600
Amortisation for the year	—	228	228
At 31 December 2020 (audited) and 1 January 2021 (audited)	2,805	418	3,223
Amortisation for the period	—	57	57
At 31 March 2021 (unaudited)	2,805	475	3,280
NET CARRYING AMOUNT:			
At 31 March 2021 (unaudited)	2,900	665	3,565
At 31 December 2020 (audited)	2,900	722	3,622

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

No impairment loss was recognised during the three months ended 31 March 2021 (year ended 31 December 2020: HK\$1,600,000).

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

There was no addition of intangible assets for the three months ended 31 March 2021 and year ended 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three months ended 31 March 2021

12. RIGHT-OF-USE ASSETS

	HK\$'000
COST:	
At 1 January 2020 (audited)	15,096
Lease modification	(1,832)
Exchange realignment	21
At 31 December 2020 and 1 January 2021 (audited)	13,285
Exchange realignment	7
At 31 March 2021 (unaudited)	13,292
ACCUMULATED DEPRECIATION:	
At 1 January 2020 (audited)	6,390
Depreciation for the year	4,867
Lease modification	(1,623)
Exchange realignment	21
At 31 December 2020 and 1 January 2021 (audited)	9,655
Depreciation for the period	1,086
Exchange realignment	7
At 31 March 2021 (unaudited)	10,748
NET CARRYING AMOUNT:	
At 31 March 2021 (unaudited)	2,544
At 31 December 2020 (audited)	3,630

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three months ended 31 March 2021

13. TRADE RECEIVABLES

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

	As at 31 March 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Within 30 days	2,272	14,135
31 to 60 days	586	410
61 to 120 days	372	151
Over 120 days	215	557
	3,445	15,253

As at 31 March 2021, the balance of HK\$1,041,000 (31 December 2020: HK\$12,829,000) represented the trade receivables arising from securities brokerage service.

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

	As at 31 March 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Not impaired	3,445	15,253

Receivables that were not impaired relate to customers for whom there were no recent history of default. The Group does not hold any collateral over these balances.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three months ended 31 March 2021

14. LOANS RECEIVABLE

	As at 31 March 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Gross loan and interest receivables	11,256	11,272
Less: Provision for impairment loss	(240)	(240)
	11,016	11,032

As at 31 March 2021, loans receivable with gross principal amount of HK\$11,204,000 (31 December 2020: HK\$11,204,000) in aggregate and related gross interest receivables of HK\$52,000 (31 December 2020: HK\$68,000) were due from three (31 December 2020: three) independent third parties. These loans are interest-bearing at rates ranging from 12% to 15% (31 December 2020: 10% to 15%) per annum and was repayable within twelve months from the end of the reporting period and therefore were classified as current assets as at 31 March 2021 and 31 December 2020.

As at 31 March 2021, the Group hold collateral over loans receivable with gross principal amount of HK\$6,000,000 (31 December 2020: HK\$6,000,000). No impairment loss (year ended 31 December 2020: HK\$240,000) has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the three months ended 31 March 2021.

15. FINANCE LEASE RECEIVABLES

	As at 31 March 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Finance lease receivables	167,851	168,518
Less: Provision for impairment losses	(167,851)	(168,518)
	—	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three months ended 31 March 2021

15. FINANCE LEASE RECEIVABLES (Continued)

Amount receivable under finance leases

	Minimum lease payment		Present value of minimum lease payment	
	As at 31 March 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000	As at 31 March 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Within one year	182,175	182,899	167,851	168,518
Unearned finance income	(14,324)	(14,381)	N/A	N/A
Present value of minimum lease payment	167,851	168,518	167,851	168,518
Less: Provision for impairment losses	(167,851)	(168,518)	(167,851)	(168,518)
	—	—	—	—

The interest rate inherent in the leases was fixed at the contract date for the entire lease term. The interest rate of the above finance leases is 5.83% per annum as at 31 March 2021 and 31 December 2020.

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

For the three months ended 31 March 2021, no impairment loss was recognised in the unaudited condensed consolidated statement of profit or loss and other comprehensive income (year ended 31 December 2020: HK\$78,049,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three months ended 31 March 2021

16. BANK BALANCES AND CASH

	As at 31 March 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Bank balances — trust accounts (<i>Note</i>)	25,088	27,378
Bank balances and cash — general accounts	26,335	27,610
	51,423	54,988

Note: The Group receives and holds money deposited by clients in the course of the conduct of the regulated activities. These clients money are maintained in one trust bank account and bear interest at commercial rates. The Group has recognised the corresponding accounts payable to respective clients.

As at 31 March 2021, the Group's bank balances and cash — general accounts amounted to approximately HK\$26,335,000 (31 December 2020: approximately HK\$27,610,000), approximately HK\$78,000 was denominated in RMB and of approximately HK\$26,257,000 was denominated in Hong Kong dollars (31 December 2020: approximately HK\$78,000 and approximately HK\$27,532,000 respectively).

17. BORROWINGS

	As at 31 March 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Bank borrowings, unsecured	571	851
	571	851

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three months ended 31 March 2021

18. LEASE LIABILITIES

	As at 31 March 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Minimum lease payments due		
— Within one year	2,270	3,407
	2,270	3,407
Less: Future finance charges	(26)	(53)
Present value of lease liabilities	2,244	3,354
	As at 31 March 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Within one year	2,244	3,354
	2,244	3,354

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three months ended 31 March 2021

19. TRADE PAYABLES

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

	As at 31 March 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Within 30 days	26,356	39,506
31 to 60 days	—	—
61 to 120 days	—	134
Over 120 days	1,370	1,224
	27,726	40,864

As at 31 March 2021, the balance of HK\$26,062,000 (31 December 2020: HK\$39,295,000) represented the trade payables arising from securities brokerage services.

20. CONVERTIBLE BONDS

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

	Notes	As at 31 March 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
At the beginning of the period/year		73,872	116,344
Interest charged		2,753	12,136
Issuance of convertible bonds	1	—	25,492
Modification of the terms of convertible bonds	2	—	(46,110)
Redemption of convertible bonds	3	—	(33,990)
At the end of the period/year		76,625	73,872

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three months ended 31 March 2021

20. CONVERTIBLE BONDS (Continued)

Notes:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three months ended 31 March 2021

21. SHARE CAPITAL

	Number of shares in '000	Amount HK\$'000
Authorised:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 March 2021 Ordinary shares of HK\$0.01 each	20,000,000	200,000
Issued and fully paid:		
At 1 January 2020		
Ordinary shares of HK\$0.01 each	262,200	2,622
Issuance of shares upon rights issue	1,048,803	10,488
Issuance of shares upon exercise of share options	12,240	122
At 31 December 2020 and 1 January 2021		
Ordinary shares of HK\$0.01 each	1,323,243	13,232
Issuance of shares upon exercise of share options	52,000	520
At 31 March 2021		
Ordinary shares of HK\$0.01 each	1,375,243	13,752

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three months ended 31 March 2021

22. RELATED PARTY TRANSACTIONS

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

Name of related party	Relationship	Nature of transaction	Three months ended 31 March	
			2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Wong Hin Shek	Director	Loan interest charged	—	1,402
		Commission income from dealing in securities	66	—
			66	1,402
Related companies	Common director	Corporate consulting service income	310	—
		Commission income from dealing in securities	9	—
			319	—

Total compensation paid to key management personnel during the three months ended 31 March 2021 amounted to HK\$776,000 (three months ended 31 March 2020: HK\$216,000).



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

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

For the three months ended 31 March 2021, the Group recorded revenue of approximately HK\$6.6 million (three months ended 31 March 2020: approximately HK\$14.0 million). Loss for the period attributable to owners of the Company was approximately HK\$4.6 million (three months ended 31 March 2020: profit of approximately HK\$2.0 million). Basic and diluted loss per share was approximately HK\$0.003 (three months ended 31 March 2020: profit per share of approximately HK\$0.005). The net loss was mainly attributable to (i) the absence of reversal of impairment loss on other receivables of approximately HK\$9.0 million; (ii) the recognition of share-based payment of approximately HK\$1.0 million and (iii) a slightly decrease in gross profit of approximately HK\$1.4 million due to weak business environment caused by the outbreak of coronavirus (“**COVID-19**”) that the value and volume of transactions in financial services business and corporate consulting business segments was slightly reduced.

Should the reversal of impairment loss on other receivables be excluded, the net loss of the Group for the three months ended 31 March 2020 would be approximately HK\$3.9 million which represented a slightly increase of the net loss of approximately HK\$4.6 million for the three months ended 31 March 2021.

Financial services business

The revenue for the three months ended 31 March 2021 of the financial services business was approximately HK\$3.5 million (three months ended 31 March 2020: approximately HK\$4.8 million) and a segment profit of approximately HK\$1.8 million (three months ended 31 March 2020: approximately HK\$2.6 million). The slightly decrease in segment profit was mainly due to slightly reduction in the value and volume of transactions in the businesses of corporate finance advisory and asset management services that the business opportunities were much diminished during the current uncertain economic environment caused by the COVID-19 pandemic.

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

During the three months ended 31 March 2021, the corporate financial advisory services and assets management services generated revenue of approximately HK\$2.4 million and HK\$0.2 million respectively (three months ended 31 March 2020: HK\$3.6 million and HK\$1.1 million respectively), represented approximately 36.4% and 3% of the total revenue of the Group respectively. Both corporate financial advisory services and assets management services continuously generated stable revenue stream and contributed operating profit to the Group.



FINANCIAL AND BUSINESS REVIEW (Continued)

Financial services business (Continued)

As at 31 March 2021, the Group had loans receivable with gross principal amount of approximately HK\$11.2 million (31 December 2020: HK\$11.2 million). The Group recorded interest income from loans receivable of approximately HK\$0.4 million for the three months ended 31 March 2021 (three months ended 31 March 2020: Nil).

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

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

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

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

Corporate consulting business

The performance of corporate consulting business remained stable that it generated revenue of approximately HK\$1.3 million (three months ended 31 March 2020: approximately HK\$1.8 million) and recorded a segment loss of approximately HK\$0.2 million (three months ended 31 March 2020: segment profit of approximately HK\$0.4 million) during the three months ended 31 March 2021. The slightly increase in segment loss was mainly due to slightly reduction in the volume of transactions in the corporate consulting business caused by the outbreak of COVID-19.

FINANCIAL AND BUSINESS REVIEW (Continued)

Trading business

The revenue of the trading business for the three months ended 31 March 2021 was approximately HK\$1.8 million (three months ended 31 March 2020: approximately HK\$7.4 million) and a segment loss of approximately HK\$0.03 million (three months ended 31 March 2020: segment profit of approximately HK\$0.02 million). The decrease in revenue was mainly due to the travel restriction imposed by the Hong Kong government due to the outbreak of COVID-19, the number of customers, especially those from the PRC, dropped dramatically.

Financial assets at fair value through profit or loss

As at 31 March 2021, the Group manage a listed security investment with fair value of approximately HK\$1.7 million (31 December 2020: HK\$1.0 million). The Board is always cautious of the prospects of the trading performance of the Group's portfolio of listed securities investments.

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

Gains for the three months ended 31 March 2021

Name of listed securities	Stock code	Realised gains	Unrealised gains	Dividend received
		HK\$'000	HK\$'000	HK\$'000
Evergrande Property Services Group Limited	6666	—	712	—

FINANCIAL AND BUSINESS REVIEW (Continued)

Financial assets at fair value through profit or loss as at 31 March 2021

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
Evergrande Property Services Group Limited	6666	Integrated commercial properties service business	113,000	0.001%	995	1,722	1.9%

Gains for the three months ended 31 March 2020

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

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

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



OUTLOOK

Financial services business

Given the outstanding performance of the businesses of corporate financial advisory services, asset management services and money lending services, the Group will continue to expand the clients base and establish a strong track record in order to strengthen the businesses in the coming future. For the securities brokerage services business, the Group will explore the involvement in the share placement activities to enhance its revenue stream. Furthermore, the Group will continue to explore new business opportunities in financial technology industry (“**Fin-tech**”) to capture the potential growth of the booming of Fin-tech to create synergy effect with the Group’s existing financial services business, including the securities brokerage services, corporate finance advisory services, money lending services and asset management services.

Corporate consulting business

Given the worldwide awareness of corporate governance, the Group anticipates the demand from Hong Kong listed issuers requesting for professional services in relation to corporate governance matters and compliance with the appropriate local rules governing the listed companies in Hong Kong and other relevant legal and regulatory requirements will persist.

Trading business

The business environment for retail trade was continued to be more difficult and challenging in the near term. The Board has taken various proactive measures, including but not limited to, develop an online platform of trading of goods, components and accessories, to minimise the impact of COVID-19 on the trading business operations. Given the availability of COVID-19 vaccine in 2021, the performance of the trading business would be improved steadily.

CONVERTIBLE BONDS

2008 and 2015 Convertible Bonds

Further to the 2008 CBs issued by the Company on 12 August 2008 as part of the consideration for the acquisition of forest concessions in Papua, Indonesia, the Company issued further convertible bonds on 21 April 2015 in the principal amount of HK\$40.0 million as paid of the consideration for acquisition of the entire issued share capital of Blossom Height Ventures Limited. On 17 December 2019, 17,391,304 shares issued as the convertible bonds with fair value of HK\$40.0 million were fully converted into shares of HK\$0.01 each at the conversion price of HK\$2.30.

CONVERTIBLE BONDS (Continued)

2008 and 2015 Convertible Bonds (Continued)

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

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

As at 31 March 2021, the Company had 2008 CBs with principal amount of HK\$69.1 million conferring rights to convert into a total of 627,890,909 shares of the Company (the “**Shares**”) with the conversion price of HK\$0.110 per Share.

Team Sunny Convertible Bonds

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

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

As at 31 March 2021, the Company had Team Sunny CB with principal amount of HK\$39.8 million conferring rights to convert into a total of 361,869,554 Shares with the conversion price of HK\$0.110 per Share.

DIVIDENDS

The Board resolved not to recommend the payment of any dividend for the three months ended 31 March 2021 (three months ended 31 March 2020: nil).

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 31 March 2021, the Group recorded cash and bank balances (included trust accounts) amounting to approximately HK\$51.4 million (31 December 2020: approximately HK\$55.0 million) and the net current assets value was approximately HK\$3.9 million (31 December 2020: approximately HK\$2.6 million).

The Group's gearing ratio as at 31 March 2021 was approximately 0.84 (31 December 2020: approximately 0.69), being a ratio of total interest-bearing debts, included bank borrowings and convertible bonds of approximately HK\$77.2 million (31 December 2020: approximately HK\$74.7 million) to the total assets of approximately HK\$92.0 million (31 December 2020: approximately HK\$108.2 million).

USE OF PROCEEDS FROM 2020 RIGHTS ISSUE

The Company completed the rights issue on 22 June 2020 (the "2020 Rights Issue"), pursuant to which the Company has issued 1,048,802,876 Shares as rights shares at HK\$0.110 per rights share on the basis of four rights shares for every one existing Share held on 28 May 2020. The net proceeds from the 2020 Rights Issue (after deducting the expenses) were approximately HK\$110.8 million. The net subscription price per rights share after deducting the related expenses of the 2020 Rights Issue was approximately HK\$0.106.

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

Amount HK\$ million	Intended use	Actual use
55.00	Repayment of the 2008 CBs to Mr. Cheung Wai Yin, Wilson	Fully utilised as intended
12.64	Repayment of the Mr. Cheung Wai Yin, Wilson advance to the Company	Fully utilised as intended
14.86	Repayment of the promissory notes issued by the Company on 4 April 2014	Fully utilised as intended
28.30	General working capital and future investment	Approximately HK\$5.6 million has not been utilised and is expected to be used as intended within 3 months
110.80		



PLEDGE OF ASSETS

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

CAPITAL STRUCTURE

During the three months ended 31 March 2021, 52,000,000 share options were exercised.

Save as disclosed, the Company had no changes in capital structure during the three months ended 31 March 2021.

INVESTMENT POSITION AND PLANNING

Proposed (i) share consolidation; and (ii) rights issue

The Company proposed to implement (i) the share consolidation on the basis that every ten (10) issued and unissued existing shares into one (1) consolidated share (“**Consolidated Share(s)**”) and (ii) the rights issue on the basis of five (5) rights shares for every two (2) Consolidated Shares held on the record date at the subscription price of HK\$0.150 per rights share, to raise not less than approximately HK\$51.95 million before expenses (assuming no non-undertaking outstanding share options being exercised), and not more than approximately HK\$53.26 million before expenses (assuming all non-undertaking outstanding share options being exercised) by issuing not less than 346,310,897 rights shares and not more than 355,069,860 rights shares.

Details were set out in the Company’s announcements dated 12 April 2021 and 3 May 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2021, the Group employed 37 staff (31 December 2020: 40). The Group’s remuneration policy is based on principle of equality, motivating performance-oriented and market-competitiveness. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits included provident fund contributions, medical insurance coverage and performance related to bonuses. A share option scheme is also established to reward and motivated the employees of the Group.

CONNECTED TRANSACTIONS

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

SHARE OPTION SCHEME

The share option scheme of the Company (the “**Share Option Scheme**”) was adopted by the shareholders of the Company (the “**Shareholders**”) on 30 December 2020 and the old share option scheme of the Company (the “**Old Share Option Scheme**”) was adopted by the Shareholders on 3 May 2012 and terminated by an ordinary resolution in an extraordinary general meeting on 30 December 2020. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption.

SHARE OPTION SCHEME (Continued)

During the period for the three months ended 31 March 2021, a total of 132,320,000 share options (the “Share Options”) were granted and a total of 52,000,000 Share Options were exercised under the Share Option Scheme. Save and except for the aforesaid, no Share Option was granted, exercised, cancelled, expired or lapsed during the period.

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

Grantees/Capacity	Number of Share Options					Date of grant	Exercise period	Price of the shares before the date of grant	
	Outstanding as at 1 January 2021	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 31 March 2021			(Note 2) Per share	(Note 1) Per share
Executive Director									
Ms. Tsang Kwai Ping	—	9,000,000	—	—	9,000,000	20/1/2021	20/1/2021–19/1/2026	0.014	0.015
Independent non-executive Directors									
Ms. Ng Ka Sim, Casina	—	1,000,000	—	—	1,000,000	20/1/2021	20/1/2021–19/1/2026	0.014	0.015
Mr. Wong Wing Kit	—	1,000,000	—	—	1,000,000	20/1/2021	20/1/2021–19/1/2026	0.014	0.015
Ms. Yeung Mo Sheung, Ann	—	1,000,000	—	—	1,000,000	20/1/2021	20/1/2021–19/1/2026	0.014	0.015
Employees and other eligible participants									
Employees of the Group	—	33,000,000	—	—	33,000,000	20/1/2021	20/1/2021–19/1/2026	0.014	0.015
Other eligible participants	35,854	—	—	—	35,854	30/5/2012	30/5/2012–29/5/2022	0.017	33.33
	—	87,320,000	52,000,000 (Note 3)	—	35,320,000	20/1/2021	20/1/2021–19/1/2024	0.014	0.015
	35,854	132,320,000	52,000,000	—	80,355,854				

Notes:

- The exercise price of the Share Options is subject to adjustment in the case of capitalisation issue, rights issue, subdivision or consolidation of the shares of the Company, or other similar changes in the Company's share capital.
- The price of the shares of the Company before the date of the grant of the Share Options is the closing price of the shares of the Company as quoted on the Stock Exchange on the trading day immediately before the date on which the Share Options were granted.
- The weighted average closing price of the Shares immediately before the dates on which the Share Options were exercised was HK\$0.023 per Share.

SHARE OPTION SCHEME (Continued)

After the reporting period and up to the date of this report, a total of 10,000,000 Share Options were exercised by a director and an employee of the Company. As at the date of this report, the Company had 70,355,854 accumulated total outstanding Share Options, which entitled holders thereof to subscribe for (i) 70,320,000 Share Options under the Share Option Scheme at an exercise price of HK\$0.015 per Share and (ii) 35,854 Share Options under the Old Share Option Scheme at an exercise price of HK\$33.333 per Share. Save for the aforementioned Share Options, the Company does not have any other outstanding Share Options.

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

As at 31 March 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO") which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares and underlying Shares of the Company

Name of Director	Nature of interest/ Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate percentage of the total issued share capital of the Company ^(Note 2) (%)
Mr. Wong Hin Shek ^(Note 1)	Controlled corporation	390,730,000	861,869,554	1,252,599,554	91.08
Mr. Cheung Wai Yin, Wilson	Beneficial owner	55,781	—	55,781	0.004
Ms. Tsang Kwai Ping	Beneficial owner	—	9,000,000	9,000,000	0.65
Ms. Ng Ka Sim, Casina	Beneficial owner	—	1,000,000	1,000,000	0.07
Mr. Wong Wing Kit	Beneficial owner	—	1,000,000	1,000,000	0.07
Ms. Yeung Mo Sheung, Ann	Beneficial owner	—	1,000,000	1,000,000	0.07



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

Long positions in the Shares and underlying Shares of the Company (Continued)

Notes:

1. The interest is held by Team Sunny, a company incorporated in the British Virgin Islands owned as to 100% by Mr. Wong.
2. The percentage has been calculated based on 1,375,243,595 Shares in issue as at 31 March 2021.

Save as disclosed above and so far as is known to the Directors, at 31 March 2021, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and Chief Executive's Interests in Securities of the Company" and "Share Option Scheme" above, at no time during the period for the three months ended 31 March 2021 was the Company or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SECURITIES OF THE COMPANY

As at 31 March 2021, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under section 336 of the SFO:

Long positions in the Shares and underlying Shares of the Company:

Name of Shareholder	Nature of interest/ Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate percentage of the total issued share capital of the Company ^(Note 2) (%)
Team Sunny ^(Note 1)	Beneficial owner	390,730,000	861,869,554	1,252,599,554	91.08

Notes:

- The interest is held by Team Sunny, a company incorporated in the British Virgin Islands owned as to 100% by Mr. Wong Hin Shek.
- The percentage has been calculated based on 1,375,243,595 Shares in issue as at 31 March 2021.

Save as disclosed above, the Directors and chief executive of the Company are not aware that there is any party who, as at 31 March 2021, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 336 of the SFO.



DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Wong Hin Shek, the Chairman, the Chief Executive Officer, an executive Director and the substantial shareholder of the Company, is the chairman and an executive director of DeTai New Energy Group Limited (stock code: 559) ("**DeTai**"), the issued shares of which are listed on the Stock Exchange. One of the subsidiaries of DeTai is engaged in money lending business, which competes or is likely to compete, either directly or indirectly of the money lending business of the Group. To safeguard the Group's interest, Mr. Wong is not involved in the day-to-day business operations of the money lending business of DeTai and will abstain from voting on any matter in relation to the money lending business of DeTai if there is or may be a conflict of interest.

Ms. Tsang Kwai Ping, an executive Director, is a director of Bridgeharbour (HK) Management Service Company Limited ("**BMSCL**"), a company incorporated in Hong Kong with limited liability which is principally engaged in the provision of company secretarial services for non-listed Hong Kong companies in Hong Kong. The business of BMSCL competes or is likely to compete, either directly or indirectly of the company secretarial services business of the Group. To safeguard the Group's interest, Ms. Tsang has irrevocably and unconditionally provided the Company an undertaking in accordance with the terms and conditions under outside interests and non-competition undertaking set out in her service agreement.

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

For the three months ended 31 March 2021, save as disclosed above, no Directors or their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has not adopted a code of conduct nor established written guidelines regarding the securities transactions by the Directors and relevant employees of the Company but has applied the principles of the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**").

All Directors have confirmed, following the specific enquiry by the Company, that they have complied with the Required Standard of Dealings throughout the period and up to the date of this report.



PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period for the three months ended 31 March 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the period ended 31 March 2021, to the best knowledge of the Board, the Company has applied the principles and complied with all the applicable code provisions set out in the Corporate Governance Code in Appendix 15 of the GEM Listing Rules except for the deviation from code provision A.2.1 which is explained below:

The code provision A.2.1 provides that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Wong Hin Shek currently assumes the roles of both the Chairman and the Chief Executive Officer. The Board considered (1) Mr. Wong has substantial experience that is essential to fulfilling the role of the Chairman, at the same time, he has the appropriate management skills and business acumen that are the prerequisites for assuming the role of the Chief Executive Officer in the day-to-day management of the Group; (2) having the same individual in both roles as the Chairman and the Chief Executive Officer could ensure the leadership consistency and could make and implement the overall strategy of the Group more effectively; and (3) the current structure of the Board does not compromise the balance of power and authority between the Board and the management of the Company. The Board will regularly review the effectiveness of this structure to ensure that it is appropriate to the Group's circumstances.

AUDIT COMMITTEE

The Company has established the audit committee of the Company (the "**Audit Committee**") with specific written terms of reference formulated in accordance with the requirements of the GEM Listing Rules. The main duties of the Audit Committee are to (i) review the quarterly, half-yearly and annual results of the Group; (ii) review the risk management and internal control systems, the effectiveness of the internal audit function of the Group; and (iii) ensure the objectivity and credibility of the Company's financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditor of the Company.

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



AUDIT COMMITTEE (Continued)

The Audit Committee has reviewed with the senior management of the Company the unaudited condensed consolidated first quarterly results of the Group for the three months ended 31 March 2021 and this report, and was of the opinion that such results and this report had complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements and that adequate disclosures had been made.

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

Hong Kong, 13 May 2021

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

This report 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>.

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