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MERDEKA FINANCIAL GROUP LIMITED

領智金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8163)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

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

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

RESULTS

The board (the “**Board**”) of the Directors of Merdeka Financial Group Limited hereby announces that the audited annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022, 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 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations			
Revenue	4.1	18,151	21,195
Other income and gains/(losses)	6	589	2,295
Operating and administrative expenses		(34,418)	(32,480)
Reversal of impairment loss/(impairment loss) on trade receivables	18	208	(245)
Impairment loss on deposits and other receivables	19	(5)	(14)
Impairment loss on loans receivable	20	(814)	(32)
Reversal of impairment loss on finance lease receivables		—	950
Gain on deregistration of subsidiaries	27(b), (c) & (d)	21	26
Loss on deconsolidation of subsidiaries	27(f)	—	(4,052)
Share of loss of associates	15	(183)	—
Finance costs	7	(13,724)	(11,819)
Loss before income tax	8	(30,175)	(24,176)
Income tax credit	9	75	26
Loss after income tax from continuing operations		(30,100)	(24,150)
Discontinued operation			
Profit/(loss) for the year from discontinued operation	5	2,280	(6,638)
LOSS FOR THE YEAR		(27,820)	(30,788)

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

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other comprehensive income:			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		—	(89)
Release of exchange reserve upon deconsolidation of subsidiaries	27(f)	—	14,004
<i>Item that will not be subsequently reclassified to profit or loss:</i>			
Changes in fair value of financial assets at fair value through other comprehensive income	16	<u>(1,862)</u>	<u>(545)</u>
Other comprehensive income for the year		<u>(1,862)</u>	<u>13,370</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>(29,682)</u></u>	<u><u>(17,418)</u></u>
Loss for the year attributable to:			
Owners of the Company		(27,820)	(31,123)
Non-controlling interests		—	335
		<u>(27,820)</u>	<u>(30,788)</u>
Total comprehensive income attributable to:			
Owners of the Company		(29,682)	(17,844)
Non-controlling interests		—	426
		<u>(29,682)</u>	<u>(17,418)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
From continuing and discontinued operations	11		
Basic and diluted		<u>(HK\$0.053)</u>	<u>(HK\$0.107)</u>
From continuing operations			
Basic and diluted		<u>(HK\$0.057)</u>	<u>(HK\$0.084)</u>
From discontinued operation			
Basic and diluted		<u>HK\$0.004</u>	<u>(HK\$0.023)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		1,903	3,055
Statutory deposit		510	510
Goodwill	12	5,600	5,470
Intangible assets	13	16,467	3,394
Right-of-use assets	14	6,562	10,142
Interests in associates	15	522	—
Financial assets at fair value through other comprehensive income	16	3,053	2,185
Financial assets at fair value through profit or loss	17	372	390
Rental deposits	19	1,354	1,358
		<hr/>	<hr/>
Total non-current assets		36,343	26,504
Current assets			
Inventories		418	279
Trade receivables	18	2,383	8,160
Contract assets		349	—
Prepayments, deposits and other receivables	19	627	764
Loans receivable	20	3,703	5,142
Financial assets at fair value through profit or loss	17	312	298
Tax recoverable		156	—
Bank balances — trust accounts		11,775	11,383
Bank balances and cash — general accounts		23,031	36,360
		<hr/>	<hr/>
Total current assets		42,754	62,386
Current liabilities			
Trade payables	22	13,083	16,474
Contract liabilities		88	—
Other payables and accruals	23	2,495	3,561
Convertible bonds	24	12,935	—
Lease liabilities	21	3,830	3,314
Tax payables		—	94
		<hr/>	<hr/>
Total current liabilities		32,431	23,443
Net current assets		<hr/> 10,323	<hr/> 38,943
Total assets less current liabilities		<hr/> 46,666	<hr/> 65,447

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 31 December 2022*

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		431	560
Convertible bonds	24	72,175	85,557
Lease liabilities	21	2,995	6,825
Total non-current liabilities		75,601	92,942
Net liabilities		(28,935)	(27,495)
EQUITY			
Share capital	25	56,673	48,506
Reserves		(85,608)	(76,001)
Equity attributable to owners of the Company		(28,935)	(27,495)
Non-controlling interests		—	—
Total deficiency		(28,935)	(27,495)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

During the year ended 31 December 2022, the principal activity of the Company was investment holding. The principal activities of the subsidiaries comprised of financial services business, corporate consulting business and digital platform 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 of The Stock Exchange of Hong Kong Limited. The adoption of new and revised HKFRSs and the impacts on the Group’s consolidated financial statements, if any, are disclosed in note 3.

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

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

In preparing the consolidated financial statements, the Directors have given consideration to the future liquidity of the Group in light of the Group incurred a net loss of approximately HK\$27,820,000 for the year ended 31 December 2022 and, as of that date, the Group had net liabilities of approximately HK\$28,935,000 as at 31 December 2022.

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

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

2. BASIS OF PREPARATION *(Continued)*

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

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

(a) Adoption of new or revised HKFRSs — effective 1 January 2022

In the current year, the Company and its subsidiaries (collectively referred to as the “Group”) has applied for the first time the following new or revised standards, amendments and interpretations (the “new or revised 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 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRS Standards 2018–2020
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

None of these new or revised HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or revised HKFRSs that is not yet effective for the current accounting period.

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

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

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

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020)
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²

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

² Effective for annual periods beginning on or after 1 January 2024.

³ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

The amendments seek to promote improved accounting policy disclosures that provide more useful information to investors and other primary users of the financial statements. Apart from clarify that entities are required to disclose their "material" rather than "significant" accounting policy, the amendments provide guidance on applying the concept of materiality to accounting policy disclosures.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020)

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

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

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

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

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments clarify the distinction between changes in accounting policies and changes in accounting estimates. Among other things, the amendments now define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty, and clarify that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors.

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

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it does not apply to such transactions as leases and decommissioning provisions that, on initial recognition, give rise to equal taxable and deductible temporary differences. Consequently, entities will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on these transactions.

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

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

Amendments to HKFRS 16, Liability in a Sale and Leaseback

The amendments add subsequent measurement requirements for a sale and leaseback transaction, where the transfer of the asset satisfies the requirements in HKFRS 15, Revenue from Contracts with Customers to be accounted for as a sale. HKFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place. However, HKFRS 16 had not specified how to measure the transaction when reporting after that date. The amendments add to the sale and leaseback requirements in HKFRS 16, thereby supporting the consistent application of the accounting standard.

The Group is in the progress of making assessments of the potential impact of these new or revised HKFRSs upon initial application.

4. REVENUE AND SEGMENT REPORTING

4.1 Revenue represents income from financial services operations, income from corporate consulting operations and income from digital platform operations during the year.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations		
Service income:		
— Financial services business	11,288	14,055
— Corporate consulting business	4,678	5,770
— Digital platform business	1,566	—
	<hr/>	<hr/>
Revenue from contract with customers	17,532	19,825
Interest income from financial services business	619	1,370
	<hr/>	<hr/>
	18,151	21,195
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition:		
— At a point in time	751	1,004
— Over time	16,781	18,821
	<hr/>	<hr/>
	17,532	19,825
	<hr/> <hr/>	<hr/> <hr/>

4.2 Segment reporting

(a) Reportable segments

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

During the period, the Group has completed the disposal of the trading business. In accordance with HKFRS 5, the segment of trading business for the years ended 31 December 2022 and 2021 were presented as discontinued operation in the Group's consolidated financial statements. Further details regarding the results of the discontinued operation is set out in note 5 to the consolidated financial statements.

4. REVENUE AND SEGMENT REPORTING *(Continued)*

4.2 Segment reporting *(Continued)*

(a) Reportable segments (Continued)

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

There were no inter-segment transactions between different operating segments for the year (2021: Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision-maker for assessment of segment performance.

- (a) The financial services business includes the securities brokerage business, provision of corporate finance advisory services, asset management business and money lending business;
- (b) The corporate consulting business segment is engaged in the provision of company secretarial services, accounting and financial reporting services and management consulting services; and
- (c) The digital platform business segment is engaged in the provision of Blockchain-as-a-Service that provides tailor made services and advice to businesses allowing them to use cloud-based solutions to manage and develop their applications and smart contracts without needing to develop and maintain their own blockchain environments. This business segment has been established by the Group for the year ended 31 December 2022.

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 2022

<i>HK\$'000</i>	Financial services business	Corporate consulting business	Digital platform business	Total
Segment revenue	<u>11,907</u>	<u>4,678</u>	<u>1,566</u>	<u>18,151</u>
Segment profit/(loss)	<u>2,321</u>	<u>1,909</u>	<u>(2,516)</u>	1,714
Finance costs				(13,634)
Gain on deregistration of subsidiaries				21
Unallocated corporate expenses <i>(Note)</i>				<u>(18,276)</u>
Loss before income tax from continuing operations				<u>(30,175)</u>

For the year ended 31 December 2021

<i>HK\$'000</i>	Financial services business	Corporate consulting business	Total
Segment revenue	<u>15,425</u>	<u>5,770</u>	<u>21,195</u>
Segment profit	<u>8,526</u>	<u>167</u>	8,693
Finance costs			(11,774)
Gain on deregistration of subsidiaries			26
Loss on deconsolidation of subsidiaries			(4,052)
Reversal of impairment loss on finance lease receivables			950
Unallocated corporate expenses <i>(Note)</i>			<u>(18,019)</u>
Loss before income tax from continuing operations			<u>(24,176)</u>

Note: Unallocated corporate expenses mainly included staff salaries, directors' remuneration and office rental expenses for the years ended 31 December 2022 and 2021.

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Segment assets		
Continuing operations		
Financial services business	32,447	48,926
Corporate consulting business	6,511	9,428
Digital platform business	15,743	—
Discontinued operation		
Trading business	—	534
Total segment assets	<u>54,701</u>	<u>58,888</u>
Unallocated bank balances and cash	12,312	14,927
Unallocated corporate assets ^(Note)	<u>12,084</u>	<u>15,075</u>
Consolidated total assets	<u>79,097</u>	<u>88,890</u>
Segment liabilities		
Continuing operations		
Financial services business	15,295	18,167
Corporate consulting business	200	240
Digital platform business	229	—
Discontinued operation		
Trading business	—	3,561
Total segment liabilities	<u>15,724</u>	<u>21,968</u>
Convertible bonds	85,110	85,557
Unallocated corporate liabilities ^(Note)	<u>7,198</u>	<u>8,860</u>
Consolidated total liabilities	<u>108,032</u>	<u>116,385</u>

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

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

4. REVENUE AND SEGMENT REPORTING (Continued)

4.2 Segment reporting (Continued)

(d) Other segment information

For the year ended 31 December 2022

	Financial services business HK\$'000	Corporate consulting business HK\$'000	Digital platform business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (other than financial assets)	—	—	14,901	—	14,901
Depreciation of property, plant and equipment	—	—	(8)	(1,170)	(1,178)
Depreciation of right-of-use assets	(794)	—	—	(2,786)	(3,580)
Amortisation of intangible assets	—	(228)	(739)	—	(967)
Reversal of impairment loss on trade receivables	205	3	—	—	208
Impairment loss on deposits and other receivables	(1)	—	—	(4)	(5)
Impairment loss on loans receivable	(814)	—	—	—	(814)
Written off of deposits and other receivables	—	(8)	—	—	(8)
Interest income	26	—	—	16	42
Amounts regularly provided to the chief operating decision-maker but not included in the measure of segment profit or loss					
Gain on deregistration of subsidiaries	—	—	—	21	21

4. REVENUE AND SEGMENT REPORTING (Continued)

4.2 Segment reporting (Continued)

(d) Other segment information (Continued)

For the year ended 31 December 2021

	Financial services business HK\$'000	Corporate consulting business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets (other than financial assets)	2,382	—	11,804	14,186
Depreciation of property, plant and equipment	(1)	—	(1,142)	(1,143)
Depreciation of right-of-use assets	(894)	(1,232)	(2,100)	(4,226)
Amortisation of intangible assets	—	(228)	—	(228)
(Impairment loss)/reversal of impairment loss on trade receivables	(303)	58	—	(245)
(Impairment loss)/reversal of impairment loss on deposits and other receivables	(5)	1	(10)	(14)
Impairment loss on loans receivable	(32)	—	—	(32)
Interest income	6	—	6	12
Amounts regularly provided to the chief operating decision-maker but not included in the measure of segment profit or loss:				
Reversal of impairment loss on finance lease receivables	950	—	—	950
(Loss)/gain on deregistration of subsidiaries	—	(16)	42	26
Loss on deconsolidation of subsidiaries	(4,052)	—	—	(4,052)

(e) Geographical information

For the years ended 31 December 2022 and 2021, the Group's revenue from external customers (including continuing and discontinued operations) 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.

4. REVENUE AND SEGMENT REPORTING (Continued)

4.2 Segment reporting (Continued)

(f) Major customers

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

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Customer A — financial services business	<u>5,363</u>	<u>4,261</u>

5. DISCONTINUED OPERATION

During the year ended 31 December 2022, the Group has completed disposing the trading business to an independent third party.

Trading business represented the separate line of major business and is classified as discontinued operation for the year ended 31 December 2022. For the purpose of presenting discontinued operation, the comparative consolidated statement of comprehensive income and the related notes have been represented.

The results and cash flows of the trading business for the years ended 31 December 2022 and 2021 are as follows:

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Revenue	2,534	3,344
Cost of sales	(2,147)	(2,946)
Other income and gains/(losses)	79	(5,279)
Reversal of impairment loss on trade receivables	—	13
Operating and administrative expenses	(982)	(1,667)
Finance costs	—	(103)
	<u> </u>	<u> </u>
Loss before income tax	(516)	(6,638)
Income tax expenses	—	—
	<u> </u>	<u> </u>
Loss after income tax from discontinued operation	(516)	(6,638)
Gain on disposal of subsidiaries (Note 27(a))	2,796	—
	<u> </u>	<u> </u>
Profit/(loss) for the period from discontinued operation	<u>2,280</u>	<u>(6,638)</u>
	<u> </u>	<u> </u>
Cash flows from discontinued operation:		
Operating cash inflows	(27)	176
Investing cash outflows	—	—
Financing cash outflows	—	(228)
	<u> </u>	<u> </u>
Total cash outflows	<u>(27)</u>	<u>(52)</u>

6. OTHER INCOME AND GAINS/(LOSSES)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations		
Bank interest income	42	12
Other operating income	206	2,227
Changes in fair value of financial assets at fair value through profit or loss (<i>Note 17(a)&(b)</i>)	(499)	(809)
Gain on disposal of a subsidiary (<i>Note 27(e)</i>)	—	1
Waiver of other payables	—	622
Written off of deposits and other receivables	(8)	—
Government grants (<i>Note</i>)	679	—
Sundry income	169	242
	<u>589</u>	<u>2,295</u>

Note: The government grants represented a one-off subsidy under Employment Support Scheme launched by the Government of the Hong Kong Special Administrative Region for the year ended 31 December 2022. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

7. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations		
Imputed interest on convertible bonds (<i>Note</i>)	13,319	11,685
Interest on lease liabilities	405	134
	<u>13,724</u>	<u>11,819</u>

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

8. LOSS BEFORE INCOME TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations		
(a) Staff costs (including directors' emoluments):		
Salaries, wages and other benefits	16,093	16,529
Pension scheme contributions	425	481
Share-based payment expenses	—	997
	<u>16,518</u>	<u>18,007</u>
(b) Other items:		
Auditor's remuneration	950	920
Depreciation expenses in respect of:		
Property, plant and equipment	1,178	1,143
Right-of-use assets	3,580	4,226
Amortisation of intangible assets	967	228
(Reversal of impairment loss)/impairment loss on trade receivables	(208)	245
Impairment loss on deposits and other receivables	5	14
Impairment loss on loans receivable	814	32
Reversal of impairment loss on finance lease receivables	—	(950)
	<u> </u>	<u> </u>

9. INCOME TAX CREDIT

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

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

	2022		2021	
	Continuing operations <i>HK\$'000</i>	Discontinued operation <i>HK\$'000</i>	Continuing operations <i>HK\$'000</i>	Discontinued operation <i>HK\$'000</i>
Continuing operations				
Current tax				
Hong Kong profits tax:				
— Tax for the year	—	—	12	—
— Overprovision in prior year	(36)	—	—	—
Deferred tax	(39)	—	(38)	—
	<u>(75)</u>	<u>—</u>	<u>(26)</u>	<u>—</u>

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

	2022		2021	
	Continuing operations <i>HK\$'000</i>	Discontinued operation <i>HK\$'000</i>	Continuing operations <i>HK\$'000</i>	Discontinued operation <i>HK\$'000</i>
Loss before income tax	<u>(30,175)</u>	<u>2,280</u>	<u>(24,176)</u>	<u>(6,638)</u>
Tax calculated at the domestic rate of 16.5% (2021: 16.5%)	(4,978)	376	(3,988)	(1,096)
Effect of two-tiered profit tax rate regime	—	—	(12)	—
Tax effect of income not taxable for tax purpose	(437)	(461)	(442)	(2)
Tax effect of expenses not deductible for tax purposes	3,001	—	3,161	938
Tax effect of tax losses not recognised	2,375	85	1,544	—
Utilisation of tax losses previously not recognised	—	—	(289)	160
Overprovision in prior year	(36)	—	—	—
Total income tax credit	<u>(75)</u>	<u>—</u>	<u>(26)</u>	<u>—</u>

9. INCOME TAX CREDIT (Continued)

As at 31 December 2022, the Group has unused tax losses of approximately HK\$50,800,000 (2021: HK\$85,034,000) 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.

10. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

11. LOSS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss attributable to owners of the Company for the purpose of calculating basis and diluted loss per share:		
Continuing operations	(30,100)	(24,485)
Discontinued operation	2,280	(6,638)
	<hr/>	<hr/>
Total loss attributable to owners of the Company from continuing and discontinued operations	(27,820)	(31,123)
	<hr/>	<hr/>
	Number of shares	
	2022	2021
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	525,437	291,982
	<hr/>	<hr/>

The calculation of basic and diluted loss per share is based on the loss attributable to ordinary equity shareholders of the Company, and the weighted average number of 525,437,000 (2021: 291,982,000) ordinary shares in issue.

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

12. GOODWILL

	<i>HK\$'000</i>
COST:	
At 1 January 2021, 31 December 2021, 1 January 2022	11,273
Acquisition of a subsidiary (<i>Note 26</i>)	<u>130</u>
At 31 December 2022	<u>11,403</u>
ACCUMULATED IMPAIRMENT LOSSES:	
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<u>5,803</u>
NET CARRYING AMOUNT:	
At 31 December 2022	<u><u>5,600</u></u>
At 31 December 2021	<u><u>5,470</u></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Corporate consulting business	5,470	5,470
Digital platform business	130	—
	<u>5,600</u>	<u>5,470</u>

Notes:

Corporate consulting business

The goodwill was arising from the acquisition of corporate consulting business in the financial year of 2019. The carrying amount of goodwill is HK\$5,470,000 as at 31 December 2022 and 2021.

For the year ended 31 December 2022, 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 22.03% (2021: 18.04%). The cash flow projections beyond the 5 years periods are extrapolated using a terminal growth rate at 2% (2021: 2%). Cash flow projections during the budget period are based on past performance and the Group management’s expectations for the market development and future performance of the Corporate Consulting Business CGU. The discount rate is determined based on the cost of capital adjusted by the specific risk associated with the Corporate Consulting Business CGU. As the recoverable amount of the Corporate Consulting Business CGU is higher than its carrying amount, the Directors are in opinion that no impairment loss was considered for the year ended 31 December 2022 (2021: Nil).

12. GOODWILL (Continued)

Notes: (Continued)

Digital platform business

The goodwill was arising from the acquisition of digital platform business as set out in note 26 to the consolidated financial statements during the year ended 31 December 2022. The goodwill with the net carrying amount of HK\$130,000 as at 31 December 2022 (2021: Nil) is allocated to the cash-generating unit of digital platform business (the “**Digital Platform Business CGU**”).

For the year ended 31 December 2022, the recoverable amount of the Digital Platform Business CGU is determined by the Directors with reference to a valuation report issued by an independent qualified valuer. The recoverable amount of the Digital Platform 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 20.82% (2021: Nil). The cash flow projections beyond the 5 years periods are extrapolated using a terminal growth rate at 3% (2021: Nil). Cash flow projections during the budget period are based on the Group management’s expectations for the market development and future performance of the Digital Platform Business CGU. The discount rate is determined based on the weighted average cost of capital reflecting the specific risk associated with the Digital Platform Business CGU. As the recoverable amount of the Digital Platform Business CGU is higher than its carrying amount, the Directors are in opinion that no impairment loss was considered for the year ended 31 December 2022.

Financial services business

The goodwill was arising from the acquisition of financial services business in the previous years. Full impairment loss had been recognised in the previous year. The carrying amount of goodwill is Nil as at 31 December 2022 and 2021.

13. INTANGIBLE ASSETS

	Trading right <i>(Note (a))</i>	Customer relationship <i>(Note (b))</i>	Blockchain technology <i>(Note (c))</i>	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
COST:				
At 1 January 2021, 31 December 2021, 1 January 2022	5,705	1,140	—	6,845
Acquisition of a subsidiary <i>(Note 26)</i>	—	—	14,040	14,040
At 31 December 2022	5,705	1,140	14,040	20,885
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:				
At 1 January 2021	2,805	418	—	3,223
Amortisation for the year	—	228	—	228
At 31 December 2021 and 1 January 2022	2,805	646	—	3,451
Amortisation for the year	—	228	739	967
At 31 December 2022	2,805	874	739	4,418
NET CARRYING AMOUNT:				
At 31 December 2022	2,900	266	13,301	16,467
At 31 December 2021	2,900	494	—	3,394

Notes:

- (a) The Group holds two trading rights of the business carrying on the regulated activities of Type 1 (dealing in securities) (“**Type 1**”), Type 4 (advising on securities) and Type 9 (asset management) (“**Type 4 & 9**”) as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Trading right have indefinite useful life and therefore no amortisation has been provided. The recoverable amount of the trading right is determined by the Directors with reference to a valuation report issued by an independent qualified valuer. The recoverable amount of the trading right of Type 1 has been determined by fair value less cost of disposal, which is primarily making reference to the recent sales of similar transactions in the market. As the recoverable amount of trading right of Type 1 was lower than its carrying amount, the Directors are in opinion that full impairment loss of HK\$1,600,000 has been recognised in the previous year. The recoverable amount of the trading right of Type 4 & 9 has been determined by value in use calculation by using cash flow projections based on the latest financial budgets approved by the management covering a period of 5 years and at a pre-tax discount rate of 25.75% (2021: 22.74%). The cash flow projections beyond the 5 years periods are extrapolated using a growth rate at 2% (2021: 2%). As the recoverable amount of trading right of Type 4 and 9 is higher than its carrying amount, the Directors are in the opinion that no impairment loss was considered for the year ended 31 December 2022 and 2021.

13. INTANGIBLE ASSETS *(Continued)*

Notes: (Continued)

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

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

- (c) Blockchain technology of HK\$14,040,000 represented the intangible assets arose from the acquisition of digital platform business during the year ended 31 December 2022.

As at 31 December 2022, blockchain technology with the net carrying amount of HK\$13,301,000 is attributable to the Digital Platform CGU with which the goodwill amount is recognised. The management of the Group considered blockchain technology has finite useful lives and is amortised on a straight-line basis over 9.5 years. Details of the impairment assessment of that cash-generating unit are set out in note 12 to the consolidated financial statements.

14. RIGHT-OF-USE ASSETS

	<i>HK\$'000</i>	
COST:		
At 1 January 2021		13,285
Addition		10,738
Lease modification		(12,542)
Deconsolidation of subsidiaries		(993)
Exchange realignment		10
		<u>10</u>
At 31 December 2021, 1 January 2022 and 31 December 2022		<u><u>10,498</u></u>
ACCUMULATED DEPRECIATION:		
At 1 January 2021		9,655
Depreciation for the year		4,226
Lease modification		(12,542)
Deconsolidation of subsidiaries		(993)
Exchange realignment		10
		<u>10</u>
At 31 December 2021 and 1 January 2022		356
Depreciation for the year		3,580
		<u>3,580</u>
At 31 December 2022		<u><u>3,936</u></u>
NET CARRYING AMOUNT:		
At 31 December 2022		<u><u>6,562</u></u>
At 31 December 2021		<u><u>10,142</u></u>
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total cash outflow for leases	<u><u>3,719</u></u>	<u><u>4,087</u></u>

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

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 3 years (2021: 3 years). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

15. INTERESTS IN ASSOCIATES

2022
HK\$'000

At beginning of the year	—
Addition through acquisition of a subsidiary (<i>Note 26</i>)	146
Addition	559
Share of loss for the year	<u>(183)</u>
At end of the year	<u><u>522</u></u>

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On 22 February 2022, the Group acquired 43.75% of the issued share capital of a private company, with the aim of involving in the investment in special purpose acquisition company (“SPAC”) projects with 2.88% effective equity interest, at a consideration of US\$350,000 (equivalent to approximately HK\$2,730,000). The investment was recognised as financial asset at fair value through other comprehensive income. The carrying amount of financial asset at fair value through other comprehensive income is HK\$1,265,000. The decrease in fair value of this financial asset of approximately HK\$1,465,000 has been dealt with in other comprehensive income and fair value through other comprehensive income reserve for the year ended 31 December 2022.

On 16 August 2019, the Group acquired 10% of the issue share capital of a private company as financial assets at fair value through other comprehensive income at cash consideration of HK\$2,000,000. As at 31 December 2022, the Group’s shareholding in this private company was approximately 9.55% (2021: 9.55%). The carrying amount of financial asset at fair value through other comprehensive income is HK\$1,788,000 (2021: HK\$2,185,000). The decrease in fair value of this financial asset of approximately HK\$397,000 (2021: HK\$545,000) has been dealt with in other comprehensive income and fair value through other comprehensive income reserve for the year ended 31 December 2022.

17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Investment in a private company <i>(Note (a))</i>	319	390
Put option in relation to acquisition of a subsidiary <i>(Note 26)</i>	53	—
Listed equity instrument in Hong Kong at market value <i>(Note (b))</i>	<u>312</u>	<u>298</u>
	684	688
Less: Non-current portion	<u>(372)</u>	<u>(390)</u>
Current portion	<u><u>312</u></u>	<u><u>298</u></u>

Notes:

- (a) On 29 October 2020, the Group entered into a simple agreement for future equity with a private company to grant the Group the future right to acquire certain shares of the private company at a consideration of US\$150,000 (equivalent to approximately HK\$1,170,000). The right is classified as financial asset at fair value through profit or loss. The decrease in fair value of this financial asset of HK\$71,000 has been recognised in profit or loss for the year ended 31 December 2022 (2021: HK\$97,000).
- (b) Fair value of the listed equity instrument in Hong Kong has been determined by reference to its quoted market price at the reporting date in an active market. Fair value of the listed trading portfolio investment is Level 1 recurring fair value measurement. The decrease in fair value of this financial asset of HK\$428,000 has been recognised in profit or loss for the year ended 31 December 2022 (2021: HK\$712,000).

18. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	6,280	16,642
Less: Provision for impairment losses	<u>(3,897)</u>	<u>(8,482)</u>
	<u><u>2,383</u></u>	<u><u>8,160</u></u>

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

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

18. TRADE RECEIVABLES (Continued)

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

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables from financial services business other than dealing in securities	315	1,809
Trade receivables from corporate consulting business	317	1,637
Trade receivables from digital platform business	20	—
Trade receivables from trading business	—	162
	652	3,608
Trade receivables from the business of dealing in securities		
— Cash clients	106	174
— HKSCC	54	3,884
— Brokers	1,571	494
	1,731	4,552
	2,383	8,160

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	221	1,879
31 to 60 days	236	325
61 to 120 days	77	539
Over 120 days	118	865
	652	3,608

18. TRADE RECEIVABLES (Continued)

The movement in the expected credit loss under lifetime expected credit loss-not credit-impaired for trade receivables for the years ended 31 December 2022 and 2021 are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 January	8,482	8,250
(Reversal of impairment loss)/impairment loss for the year	(208)	232
Disposal of subsidiaries	(4,377)	—
	<u>3,897</u>	<u>8,482</u>

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Prepayments	296	438
Deposits and other receivables	1,705	1,851
	<u>2,001</u>	<u>2,289</u>
Less: Provision for impairment losses	(20)	(167)
	<u>1,981</u>	<u>2,122</u>
Less: Non-current portion	(1,354)	(1,358)
Current portion	627	764

The movements in the expected credit loss under 12-months expected credit loss for the deposits and other receivables for the years ended 31 December 2022 and 2021 are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 January	167	54,742
Impairment loss for the year	5	14
Written off of deposits and other receivables	—	(956)
Disposal of subsidiaries	(152)	—
Deconsolidation of subsidiaries	—	(57,690)
Exchange realignment	—	4,057
	<u>20</u>	<u>167</u>

20. LOANS RECEIVABLE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gross loans and interest receivables	4,789	5,414
Less: Provision for impairment loss	<u>(1,086)</u>	<u>(272)</u>
	<u><u>3,703</u></u>	<u><u>5,142</u></u>

Note:

As at 31 December 2022, loans receivable with gross principal amount of HK\$4,720,000 (2021: HK\$5,400,000) in aggregate and related gross interest receivables of HK\$69,000 (2021: HK\$14,000) were due from three independent third parties. These loans are interest-bearing at fixed rates ranging from 8% to 12% (2021: 8% to 12%) per annum and was repayable within twelve months from the end of the reporting period and therefore were classified as current assets as at 31 December 2022 and 2021.

The Group has no collateral over loans receivable as at 31 December 2022 and 2021. Impairment loss of HK\$814,000 (2021: HK\$32,000) has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022.

The movements in the expected credit loss for loans receivable for the years ended 31 December 2022 and 2021 are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 January	272	240
Impairment loss for the year	<u>814</u>	<u>32</u>
At 31 December	<u><u>1,086</u></u>	<u><u>272</u></u>

20. LOANS RECEIVABLE (Continued)

Reconciliation of gross carrying amount for loans receivable for the years ended 31 December 2022 and 2021 is as follows:

	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2021	11,272	—	11,272
New loans originated	5,087	4,407	9,494
Repayment	<u>(15,352)</u>	<u>—</u>	<u>(15,352)</u>
At 31 December 2021 and 1 January 2022	1,007	4,407	5,414
New loans originated	5,084	886	5,970
Repayment	(5,084)	(1,511)	(6,595)
Transfer	<u>(1,007)</u>	<u>1,007</u>	<u>—</u>
At 31 December 2022	<u>—</u>	<u>4,789</u>	<u>4,789</u>

The movements in the expected credit loss in respect of loans receivable for the years ended 31 December 2022 and 2021 is as follows:

	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2021	240	—	240
(Reversal of impairment loss)/impairment loss for the year	<u>(211)</u>	<u>243</u>	<u>32</u>
At 31 December 2021 and 1 January 2022	29	243	272
Impairment loss for the year	—	814	814
Transfer	<u>(29)</u>	<u>29</u>	<u>—</u>
At 31 December 2022	<u>—</u>	<u>1,086</u>	<u>1,086</u>

21. LEASE LIABILITIES

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

	Land and buildings HK\$'000	
At 1 January 2021		3,354
Lease modification		10,738
Interest expenses		134
Lease payments		<u>(4,087)</u>
At 31 December 2021 and 1 January 2022		10,139
Interest expenses		405
Lease payments		<u>(3,719)</u>
At 31 December 2022		<u><u>6,825</u></u>
	2022	2021
	HK\$'000	HK\$'000
Minimum lease payment due		
— Within one year	4,056	3,719
— In the second to fifth years, inclusive	3,043	<u>7,099</u>
	<u>7,099</u>	<u>10,818</u>
Less: Future finance charges	<u>(274)</u>	<u>(679)</u>
Present value of lease liabilities	<u>6,825</u>	<u><u>10,139</u></u>
	2022	2021
	HK\$'000	HK\$'000
Within one year	3,830	3,314
In the second to fifth years, inclusive	2,995	<u>6,825</u>
	<u>6,825</u>	<u><u>10,139</u></u>

The weighted average incremental borrowing rates applied to lease liabilities at 4.89% for the years ended 31 December 2022 and 2021.

22. TRADE PAYABLES

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables from the business of dealing in securities		
— Cash clients <i>(Note)</i>	12,772	14,978
— HKSCC	6	14
Trade payables from digital platform business	305	—
Trade payables from trading business	—	1,482
	<u>13,083</u>	<u>16,474</u>

Note: As at 31 December 2022, the Group had trade payables due to a private company, which is wholly-owned by Mr. Wong Hin Shek (“**Mr. Wong**”), of approximately HK\$3,271,000 (2021: HK\$2,288,000) was arising from the Group’s ordinary course of business in dealing securities. The transaction with such related company were carried out in normal course of business.

The settlement term of trade payables arising from the business of dealing securities is T+2.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	201	126
31 to 60 days	—	—
61 to 120 days	104	—
Over 120 days	—	1,356
	<u>305</u>	<u>1,482</u>

23. OTHER PAYABLES AND ACCRUALS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other payables	530	1,726
Accruals	1,965	1,835
	<u>2,495</u>	<u>3,561</u>

24. CONVERTIBLE BONDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
2008 CBs (as defined below) (<i>Note (a)</i>)	12,935	53,147
Team Sunny CB (as defined below) (<i>Note (b)</i>)	—	32,410
2022 CBs (as defined below) (<i>Note (c)</i>)	72,175	—
	<u>85,110</u>	<u>85,557</u>

Notes:

(a) 2008 CBs

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

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

- The bondholders do not have the right to convert any principal amount of the 2008 CBs into new shares of the Company thereof, if upon such conversion, Merdeka Commodities Limited and the parties acting in concert with it will be interested in 30% (or such amount as may from time to time be specified in the Codes on Takeovers and Mergers and Share Repurchases as being the level for triggering a mandatory general offer) or more of the enlarged issued share capital of the Company at the date of relevant conversion;
- The conversion of the 2008 CBs shall not cause the Company to be in breach of the minimum public float requirement as stipulated under Rule 11.23 of the GEM Listing Rules; and
- The bondholders do not have the right to convert any 2008 CBs with the principal amount falling between the range of HK\$350,000,000 to HK\$776,880,000 at any time during the period from the issue date up to and inclusive of the date that falls on the first anniversary of the issue date.

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

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

24. CONVERTIBLE BONDS (Continued)

Notes: (Continued)

(a) 2008 CBs (Continued)

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

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

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

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

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

By the fourth supplemental deed dated 10 January 2020, the maturity date of the 2008 CBs was extended for a further term of three years from 13 August 2020 to 12 August 2023. Upon becoming effective of the third supplemental deed, the Company might at any time during the period commencing from the date of extension to the Previous Maturity Date to redeem the whole or part of the outstanding 2008 CBs on a pro rata basis. Also, the conversion price of the 2008 CBs be revised from HK\$0.95 per conversion share to HK\$0.110 per conversion share with effect from 13 August 2020 (subject to adjustments). Save for the above amendments, all other terms of the 2008 CBs remain unchanged and valid. On 29 June 2020, the Company made a partial redemption in the principal amount of HK\$55,000,000 on part of the 2008 CBs.

24. CONVERTIBLE BONDS (Continued)

Notes: (Continued)

(a) 2008 CBs (Continued)

Upon effective of the fourth supplemental deed, the 2008 CBs was valued by the Directors with reference to a valuation report issued by an independent qualified valuer not connected with the Group. Gain on modification of terms of convertible bonds of HK\$2,502,000 and loss on redemption of convertible bonds of HK\$2,444,000 were recognised in the profit or loss for the year ended 31 December 2020.

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

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

On 28 December 2022, upon the completion of the subscription and issue of 2022 CBs, the principal amount of HK\$55,000,000 of 2008 CBs was offset and settled with the subscription price of 2022 CBs.

As at 31 December 2022, the Company had 2008 CBs with principal amount of HK\$14,068,000 (2021: HK\$69,068,000) conferring rights to convert into a total of 15,631,111 (2021: 76,742,221) Shares with the conversion price of HK\$0.90 per conversion share.

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

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

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

The effective interest rate of liability component was adjusted to 14.59% upon the modification of the terms of convertible bonds on 28 December 2022.

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

	2022 HK\$'000	2021 HK\$'000
At the beginning of the year	53,147	45,936
Interest charged	8,211	7,211
Modification of the terms of convertible bonds	(48,423)	—
At the end of the year	<u>12,935</u>	<u>53,147</u>

24. CONVERTIBLE BONDS (Continued)

Notes: (Continued)

(b) Team Sunny CB

On 10 January 2020, the Company issued the convertible bonds to Team Sunny International Holdings Limited (“**Team Sunny**”), a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Wong, the Chairman, the Chief Executive Officer, an executive Director and the substantial shareholder of the Company, for the settlement of the outstanding debt due from the Company to Mr. Wong of HK\$39,805,651 (“**Team Sunny CB**”). The subscription amount payable by Team Sunny under the subscription agreement shall be satisfied by way of offsetting (i) the principal amount of HK\$8,000,000 under the 2019 PN and payable by the Company to Mr. Wong (which will be assigned to Team Sunny by Mr. Wong at the completion of the subscription to facilitate the set-off); and (ii) the outstanding principal amount and part of the accrued interest in an aggregate amount of HK\$31,805,651 under Mr. Wong’s facilities payable by the Company to Mr. Wong (which will be assigned to Team Sunny by Mr. Wong at the completion of the subscription to facilitate the set-off).

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

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

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

On 22 July 2021, the Company completed the 2021 Rights Issue and allotted and issued 346,310,897 Shares, on the basis of five (5) rights shares for every two (2) Shares held on 28 June 2021 at the subscription price of HK\$0.15 per rights share. Upon the completion of the 2021 Rights Issue, the conversion price of Team Sunny CB was adjusted to HK\$0.903 per conversion share.

The outstanding principal amount of the Team Sunny CB as at 31 December 2021 was HK\$39,805,651 conferring rights to convert into a total 44,081,562 ordinary Shares.

On 6 July 2022, 15 November 2022, 29 November 2022 and 13 December 2022, the Company made a partial redemption in the aggregated principal amount of HK\$3,805,651 on part of the Team Sunny CB. On 28 December 2022, upon the completion of the subscription and issue of 2022 CBs, all the principal amount of Team Sunny CB was offset and settled with the subscription price of 2022 CBs.

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

24. CONVERTIBLE BONDS (Continued)

Notes: (Continued)

(b) Team Sunny CB (Continued)

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At the beginning of the year	32,410	27,936
Interest charged	5,051	4,474
Redemption of convertible bonds	(3,494)	—
Modification of the terms of convertible bonds	(33,967)	—
	<u>—</u>	<u>—</u>
At the end of the year	<u>—</u>	<u>32,410</u>

(c) 2022 CBs

On 14 November 2022, the Company entered into the subscription agreement with Team Sunny, pursuant to which Team Sunny conditionally agreed to subscribe and the Company conditionally agreed to issue the convertible bonds (the “2022 CBs”) in the principal amount of HK\$91,000,000 for the settlement of the outstanding debts due from the Company to Team Sunny in aggregate of HK\$91,000,000. The subscription amount payable by Team Sunny under the subscription agreement shall be satisfied by way of offsetting (i) the principal amount of HK\$55,000,000 under the 2008 CBs and payable by the Company to Team Sunny; and (ii) the outstanding principal amount of HK\$36,000,000 under Team Sunny CB and payable by the Company to Team Sunny.

The conversion price per conversion share for HK\$55,000,000 of the principal amount of 2022 CBs for the period from the date of issue of the 2022 CBs up to and including 12 August 2023 shall be HK\$0.90 per conversion share and for the period from 13 August 2023 up to and including the maturity date shall be HK\$0.186 per conversion share; and the conversion price per conversion share for HK\$36,000,000 of the principal amount of the 2022 CBs for the period from the date of issue of the 2022 CBs up to and including 21 May 2023 shall be HK\$0.903 per conversion share and for the period from 22 May 2023 up to and including the maturity date shall be HK\$0.186 per conversion share.

On 28 December 2022, the subscription took place and the 2022 CBs in the principal amount of HK\$91,000,000 were issued to Team Sunny.

As at 31 December 2022, the Company had 2022 CBs with principal amount of HK\$91,000,000, of which the principal amount of HK\$55,000,000 conferring rights to convert into 61,111,111 Shares with the conversion price of HK\$0.90 per conversion share and the principal amount of HK\$36,000,000 conferring rights to convert into 39,867,109 Shares with the conversion price of HK\$0.903 per conversion share.

The convertible bonds contained two component, the liability and equity components. The equity component is presented in equity as an “Equity component of convertible bonds”. The effective interest rate of the liability component is approximately 15.41% per annum.

24. CONVERTIBLE BONDS (Continued)

Notes: (Continued)

(c) 2022 CBs (Continued)

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

	2022 HK\$'000
At the beginning of the year	—
Issuance of convertible bonds	72,118
Interest charged	57
	<hr/>
At the end of the year	72,175

25. SHARE CAPITAL

	<i>Notes</i>	Number of shares in '000	Nominal values HK\$'000
Authorised:			
At 1 January 2021			
Ordinary shares of HK\$0.01 each		20,000,000	200,000
Share consolidation	4	<u>(18,000,000)</u>	<u>—</u>
At 31 December 2021, 1 January 2022 and 31 December 2022			
Ordinary shares of HK\$0.1 each		<u>2,000,000</u>	<u>200,000</u>
Issued and fully paid:			
At 1 January 2021			
Ordinary shares of HK\$0.01 each		1,323,243	13,232
Issuance of shares upon exercise of share options	3	62,227	643
Share consolidation	4	(1,246,719)	—
Issuance of shares upon rights issue	5	<u>346,311</u>	<u>34,631</u>
At 31 December 2021 and 1 January 2022			
Ordinary shares of HK\$0.1 each		485,062	48,506
Issuance of consideration shares	1	66,667	6,667
Issuance of shares upon placing	2	<u>15,000</u>	<u>1,500</u>
At 31 December 2022			
Ordinary shares of HK\$0.1 each		<u>566,729</u>	<u>56,673</u>

25. SHARE CAPITAL (Continued)

Notes:

1. On 4 July 2022, the Company allotted and issued 66,666,663 Shares in respect of the acquisition of NOIZChain Limited (“NOIZ”) pursuant to the sale and purchase agreement dated 13 June 2022.
2. On 7 July 2022, the Company completed a share subscription with Oriental Watch Holdings Limited, the subscriber, by the allotment and issue of 15,000,000 Shares at the subscription price of HK\$0.21 per subscription share.
3. During the year ended 31 December 2021, share options to subscribe for 62,227,027 ordinary Shares were exercised. The net consideration was HK\$960,000 of which HK\$643,000 was credited to share capital account and the balance of HK\$317,000 was credited to the share premium account. An amount of HK\$483,000 was transferred from share option reserve account to share premium account upon the exercise of the share options.
4. Pursuant to an ordinary resolution passed in the extraordinary general meeting of the Company on 15 June 2021, every ten issued and unissued Shares of HK\$0.01 each were consolidated into one consolidated share of the Company of HK\$0.1 each with effective on 17 June 2021.
5. On 22 July 2021, the Company completed the 2021 Rights Issue and allotted and issued 346,310,897 Shares, on the basis of five (5) rights shares for every two (2) Shares held on 28 June 2021 at the subscription price of HK\$0.15 per rights share. Gross 2021 Rights Issue proceeds of approximately HK\$51,947,000 of which approximately HK\$34,631,000 was credited against share capital and the remaining proceeds of approximately HK\$17,316,000 was after offsetting the share issuance costs of approximately HK\$772,000 were credited against the share premium account.

26. ACQUISITION OF A SUBSIDIARY

On 4 July 2022, The Group completed the acquisition of the entire issued share capital in NOIZ at a consideration of approximately of HK\$15,133,000. The consideration was satisfied by the Company by the allotment and issue of an aggregate of 66,666,663 consideration shares to the vendors at the issue price of HK\$0.227 per consideration share. NOIZ is principally engaged in digital platform business. The Group has diversified its business into digital platform including Blockchain-as-a-Services that tailor made services and advice to businesses allowing them to use cloud-based solutions to manage and develop their applications and smart contracts without needing to develop and maintain their own blockchain environments.

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

	Fair value <i>HK\$'000</i>
Property, plant and equipment	3
Intangible assets	14,040
Interest in an associate	146
Inventories	418
Trade receivables	360
Prepayments, deposits and other receivables	1
Bank balances and cash	92
Deferred tax assets	90
Trade payables	(109)
Other payables and accruals	(91)
	<hr/>
Fair value of net assets acquired	14,950
	<hr/> <hr/>
Net cash inflow from acquisition of a subsidiary:	
Cash consideration paid	—
Cash and cash equivalents in a subsidiary acquired	92
	<hr/>
Net cash inflow	92
	<hr/> <hr/>
	<i>HK\$'000</i>
Total consideration satisfied by consideration shares issued at fair value	15,133
Less: Fair value of put option arising in the acquisition	(53)
Fair value of net assets acquired	(14,950)
	<hr/>
Goodwill (<i>Note 12</i>)	130
	<hr/> <hr/>

26. ACQUISITION OF A SUBSIDIARY (Continued)

Pursuant to the terms of the sale and purchase agreement dated 13 June 2022 entered into between Benefit Palace Limited (the “**Purchaser**”) and the six vendors (the “**Vendors**”), each of the Vendors hereby irrevocably and unconditionally grants the Purchaser (or its nominee(s) or its successor(s)) the put option (the “**Put Option**”), pursuant to which the Purchaser (or its nominee(s) or its successor(s)) shall be entitled to require the Vendors to buy back all the entire issued share capital in NOIZ held by the Purchaser (or its nominee(s) or its successor(s)) (the “**Repurchase**”). The consideration for the Repurchase will be the same as the Consideration.

The Purchaser (or its nominee(s) or its successor(s)) shall not exercise the Put Option unless NOIZ recorded audited consolidated negative cash flows from operating activities as calculated in accordance with HKFRSs for the year ending 31 December 2023 as shown in the audited consolidated financial statement of NOIZ for the year ending 31 December 2023.

At the completion date, the put option amount is determined by the Directors with reference to a valuation report issued by an independent qualified valuer. The put option is stated at fair value and presented as financial assets at fair value through profit or loss in the consolidated statement of financial position.

The goodwill of HK\$130,000, which is not deductible for tax purposes, comprises the acquired workforce and the expected future growth of digital platform business to diversify the revenue stream of the existing business of the Group.

Post-acquisition contribution to revenue and net loss of NOIZ as included in the Group’s consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 is HK\$1,566,000 and HK\$2,516,000 respectively. Had the acquisition been completed on 1 January 2022, the revenue and net loss of the Group for the year ended 31 December 2022 would have been HK\$1,937,000 and HK\$3,252,000 respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition of the Group been completed on 1 January 2022 nor are they intended to be a projection of future results.

27. DISPOSAL OF SUBSIDIARIES/DEREGISTRATION OF SUBSIDIARIES/DECONSOLIDATION OF SUBSIDIARIES

(a) Disposal of End User Investments Limited

On 23 September 2022, the Company as the vendor entered into the sale and purchase agreement with an independent third party, to dispose the entire issued share capital of the End User Investments Limited, a wholly-owned subsidiary, at a consideration of HK\$1. Gain on disposal of subsidiaries amounted to HK\$2,796,000 was analysed as follows:

	<i>HK\$'000</i>
Net liabilities deregistered of:	
Bank balances and cash	27
Trade payables	(933)
Other payables and accruals	(1,889)
	<u>(2,795)</u>
Less: Proceeds from disposal	(1)
	<u>(2,796)</u>
Gain on disposal	<u>(2,796)</u>
Cash consideration received	1
Less: Bank balances and cash disposed of	(27)
	<u>(26)</u>
Net cash outflow of cash and cash equivalents	<u>(26)</u>

(b) Deregistration of Merry Fortune Holdings Limited

On 1 May 2022, the Group deregistered Merry Fortune Holdings Limited, an indirect wholly-owned subsidiary of the Company. Gain on deregistration of a subsidiary amounted to HK\$21,000 was analysed as follows:

	<i>HK\$'000</i>
Net liabilities deregistered of:	
Other payables and accruals	(21)
	<u>(21)</u>
Gain on deregistration	<u>(21)</u>

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

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

On 25 February 2021, the Group deregistered 領智恒泰(北京)商務諮詢有限公司, an indirect wholly-owned subsidiary of the Company. Loss on deregistration of a subsidiary amounted to HK\$16,000 was analysed as follows:

HK\$'000

Net assets deregistered of:

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

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

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

HK\$'000

(i) Net liabilities of Ever Hero deregistered of:

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

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

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

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

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

On 26 March 2021, the Company as a vendor entered into an instrument of transfer with an independent third party, to dispose of its entire equity interest of Galaxy PAM Asset Management (Cayman Islands) Limited, a wholly-owned subsidiary, at a consideration of HK\$90,000. The gain on disposal of a subsidiary amounted to HK\$1,000 was analysed as follows:

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

(f) Deconsolidation of Blossom Height Ventures Limited

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

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

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

(f) Deconsolidation of Blossom Height Ventures Limited (Continued)

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

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

28. RELATED PARTY DISCLOSURES

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

Name of related party	Relationship	Nature of transaction	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Mr. Wong	Director	Commission income from dealing in securities	<u>103</u>	<u>68</u>
Related Companies	Common director	Corporate consulting service income	518	921
		Commission income from dealing in securities	<u>—</u>	<u>9</u>
			<u>518</u>	<u>930</u>

28. RELATED PARTY DISCLOSURES *(Continued)*

Compensation of key management personnel of the Group

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Short term employee benefits	3,315	3,377
Post-employment benefits	41	42
	<hr/>	<hr/>
Total compensation paid to key management personnel	<u>3,356</u>	<u>3,419</u>

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3.4 in the consolidated financial statements, which indicates that the Group incurred a net loss of HK\$27,820,000 for the year ended 31 December 2022 and, as of that date, the Company had net liabilities of HK\$28,935,000. As stated in Note 3.4, these events or conditions, along with other matters as set forth in Note 3.4, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

During the year ended 31 December 2022, the Group is principally engaged in (i) financial services business including securities brokerage services, provision of corporate finance advisory services, asset management business and money lending services; (ii) corporate consulting business including company secretarial services, accounting and financial reporting services and management consulting services; and (iii) digital platform business including Blockchain-as-a-Service that provides tailor made services and advice to businesses allowing them to use cloud-based solutions to manage and develop their applications and smart contracts without needing to develop and maintain their own blockchain environments. Since the performance of the trading business was unsatisfactory for the past years, on 23 September 2022, the Group disposed of the trading business to an independent third party. Upon the disposal, the Group ceased to have any interest in the trading business. The disposal allowed the Group to reallocate more resources on the remaining businesses.

For the year ended 31 December 2022, the Group continuing operations recorded revenue of approximately HK\$18.2 million (2021: approximately HK\$21.2 million). Loss for the year attributable to owners of the Company was approximately HK\$27.8 million (2021: approximately HK\$31.1 million). Basic and diluted loss per share for continuing operations was approximately HK\$0.057 (2021: approximately HK\$0.084). The decrease in net loss was mainly attributable to the net off effect of (i) the absence of loss on deconsolidation of subsidiaries of approximately HK\$4.1 million; and (ii) the increase in imputed interest on convertible bonds of HK\$1.6 million.

Financial services business

The revenue for the year ended 31 December 2022 of the financial services business was approximately HK\$11.9 million (2021: approximately HK\$15.4 million) and a segment profit of approximately HK\$2.3 million (2021: approximately HK\$8.5 million). The decrease in segment profit was mainly due to reduction in the involvement in share placement activities caused by adverse market condition in 2022.

During the year ended 31 December 2022, the corporate financial advisory services and assets management services generated revenue of approximately HK\$5.2 million and HK\$5.4 million respectively (2021: HK\$8.1 million and HK\$4.9 million respectively), represented approximately 28.6% and 29.7% of the total revenue of the Group respectively. Both businesses of corporate financial advisory services and assets management services continuously enhanced the income stream of the Group.

In the course of preparing the financial statements for the year ended 31 December 2022, the Company had engaged an independent qualified valuer to determine the recoverable amount of the trading right of the business carrying on the regulated activities of Type 1

(dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The recoverable amount of the trading right has been determined by the higher of fair value less cost of disposal, which is primarily making reference to the recent sales of similar transactions in the market, and value-in-use which is calculated using cash flow projections based on the latest financial budgets approved by the management. During the year ended 31 December 2022 and 2021, no impairment loss on the trading right was recognised.

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

As at 31 December 2022, the Group had loans receivable with gross principal amount of approximately HK\$4.7 million (2021: HK\$5.4 million). The Group recorded interest income from loans receivable of approximately HK\$0.6 million for the year ended 31 December 2022 (2021: HK\$1.4 million).

During the year ended 31 December 2022, the Group granted 2 loans to individuals, all of them are independent third parties. As at 31 December 2022, 4 loans were outstanding, with terms ranging from 12 months to 29 months, interest rate ranging from 8% to 12% per annum. The loans receivable are with no collaterals. As at 31 December 2022, the aggregated principal amount outstanding from the three largest borrowers of the Group amounted to HK\$4.7 million (representing 100% to the total loans receivable of the Group) while the principal amount outstanding from the largest borrower amounted to HK\$2.0 million (representing approximately 42.6% to the total loans receivable of the Group).

As at 31 December 2022, the management had engaged an independent qualified valuer to determine the expected credit losses of the Group's loans receivable (the "**loans receivable ECL**"). In assessing the loans receivable ECL of the Group, a credit rating analysis of the underlying debtors was adopted by reviewing the historical accounting information to estimate the default risk. The Group applied different expected loss rates to different classes of receivables according to their respective risk characteristics. In determining the default risk, factors including but not limited to, the ageing analysis of the receivables, the Group's internal assessment of the debtors' credit worthiness, historical and forecast occurrence of event of default, existence and valuation of the collaterals, the relevant regulatory framework and government policies in Hong Kong and global economic outlook in general and the specific economic condition of Hong Kong would be considered. The rate of loans receivable ECL ranged from 13.81% to 55.13% depending on the nature, probability of default and loss given default of the loans receivable.

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

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

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

In order to monitor the risks associated with loans receivable, subsequent repayment record of each loan receivable will be closely monitored and periodic reviews on loan portfolio will be conducted by the Group. In the event of failure to repay interest or principal amount by the due date, the Group will issue overdue payment reminders to the relevant borrower, instruct its legal advisers to issue demand letters for loans overdue for a longer period of time, negotiate with the borrower for the repayment or settlement of the loan and/or commences legal actions against the borrower.

Corporate consulting business

The performance of corporate consulting business remained stable that it recorded a revenue of approximately HK\$4.7 million (2021: approximately HK\$5.8 million) and recorded a segment profit of approximately HK\$1.9 million (2021: approximately HK\$0.2 million) during the year ended 31 December 2022.

Digital platform business

Upon the completion of the acquisition of NOIZ on 4 July 2022, the Group has diversified its business into digital platform. NOIZ is a Blockchain-as-a-Service Company that provide tailor made services and advice to businesses allowing them to use cloud-based solutions to manage and develop their applications and smart contracts without needing to develop and maintain their own blockchain environments. NOIZ aims to make blockchain technology widely available for every business and to drive blockchain into mass adoption and commercialisation. NOIZ is also committed to empower enterprises to embrace Web 3.0 environmentally.

The revenue and the segment loss for the year ended 31 December 2022 was approximately HK\$1.6 million and HK\$2.5 million respectively.

In the course of preparing the financial statements, the Company had engaged an independent qualified valuer to determine the recoverable amount of the cash generating unit of the digital platform business (the “**Digital Platform Business CGU**”). In assessing the recoverable amount of the cash generating unit of the digital platform business as at 31 December 2022, value-in-use calculation has been adopted that the estimated future cash flows were discounted to their present value using a pre-tax discount rate that reflected current market assessment of time value of money and the risk specific to the digital platform business. The calculation used in cash flow projections was based on latest financial budgets covering a period of 5 years with compound average annual growth rate of revenue of approximately 38.6%, which was determined with reference to historical revenue in the current year and the 5-year forecasted revenue taking into account of the expected number of sale contracts, and at a pre-tax discount rate of 20.82% which was determined with reference to weighted average cost of capital reflecting the specific risk of the digital platform business. The cash flow projections beyond the 5-year period are extrapolated using a perpetual growth rate of 3%. The management of digital platform business reviewed the assumptions taking into account of (i) the general economic environment; (ii) industry dynamics; (iii) past performance; and (iv) on-going business development of the digital platform business in preparing the cash flow projections. As the recoverable amount of the Digital Platform Business CGU is higher than its carrying amount, no impairment loss was recognised for the year ended 31 December 2022.

Financial assets at fair value through profit or loss

As at 31 December 2022, the Group managed a listed security investment with fair value of approximately HK\$0.3 million (2021: approximately HK\$0.3 million). In view of the fluctuations in the global and local financial markets, the Board is always cautious of the prospects of the trading performance of the Group’s portfolio of listed securities investments.

Details of the listed security investment as at 31 December 2022 and 2021 and (losses)/ gains for the years ended 31 December 2022 and 2021 are as below:

Losses for the year ended 31 December 2022

Name of listed securities	Stock code	Realised losses <i>HK\$’000</i>	Unrealised losses <i>HK\$’000</i>	Dividend received <i>HK\$’000</i>
Evergrande Property Services Group Limited	6666	—	(298)	—
Differ Group Auto Limited	6878	(130)	—	—

Financial assets at fair value through profit or loss as at 31 December 2022

Name of listed securities	Stock code	Brief description of the business	Number of shares held	Proportion of shares held	Investment cost <i>HK\$'000</i>	Market value <i>HK\$'000</i>	Approximate Percentage to total assets value of the Group
Evergrande Property Services Group Limited	6666	Integrated commercial properties service business	113,000	0.001%	995	—	—
ICO Group Limited	1460	Integrated IT service business	1,600,000	0.18%	312	312	0.4%

Gains for the year ended 31 December 2021

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

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

Name of listed securities	Stock code	Brief description of the business	Number of shares held	Proportion of shares held	Investment cost <i>HK\$'000</i>	Market value <i>HK\$'000</i>	Approximate Percentage to total assets value of the Group
Evergrande Property Services Group Limited	6666	Integrated commercial properties service business	113,000	0.001%	995	298	0.3%

OUTLOOK

The Group has been seeking suitable investment and business opportunities in light of the market conditions to create value for its shareholders in a long term and sustainable manner. In light of the growth and potential of the Web 3.0 market in recent years, the Company has completed the acquisition of NOIZ in the second half of 2022.

Digital platform business

NOIZ is in collaboration with, amongst others, Mapxus to co-create the world's first indoor location-based move-to-earn metaverse on NOIZ's environment friendly blockchain that converges art, culture and community, the Honio Metaverse.

Mapxus is a comprehensive indoor Geographic Information System (GIS) platform that provides global indoor mapping and navigation services, aiming to make indoor mapping smart and simple, and to create a barrier-free and inclusive city experience for everyone. Mapxus innovative indoor map data infrastructure is designed to empower people and businesses, improving daily experiences and work efficiency. Mapxus has partnered with, amongst others, NOIZ to build spatial digital twins of real-life shopping malls and landmarks in the Honio Metaverse, using indoor maps and positioning technology. Honio Metaverse is being developed as a mobile app that will enable easy access for everyone. Honio Metaverse app users will be rewarded with free tokens and art element drops according to the time they spend in physical stores, and these tokens can be used not only for non-fungible token trading in the Honio Metaverse but also for redeeming real-life commodities and experiences. Powered by NOIZ's blockchain technology, the Honio Metaverse will be able to record all customer transactions. As a result, Honio Metaverse is expected to boost foot traffic in shopping malls by increasing user retention time in physical stores while enhancing marketing analytics to enable more comprehensive data reports. It is anticipated that Honio Metaverse will first focus mainly on the Japanese market with a target to cover around 2,000 landmarks by 2023 and 5,000 buildings by 2024, and is expected to dip into other Asia Pacific markets in future.

Entertainment business

Apart from the digital platform business, the Company has stepped into the entertainment industry in the 1st quarter of 2023 through its wholly-owned subsidiary, NOIZ Entertainment Limited, aiming to capture the potential rebound of the entertainment market as the COVID-19 pandemic reaches its end. NOIZ Entertainment Limited has invested in its first project — “Punch Live 2023”, a concert which was successfully held in March 2023 in AsiaWorld-Expo, Hong Kong. It is anticipated that NOIZ Entertainment Limited will continue participating in various entertainment events in the Guangdong-Hong Kong-Macao Greater Bay Area.

The Company, using the blockchain technology expertise and experience possessed by NOIZ, aims to digitalise the Group's entertainment segment by creating diversified and innovative ways for audiences to experience the power of virtual entertainment and to enjoy immersive experiences. At the same time, the Company will also utilise the transparency, authenticity and secured nature of the blockchain technology to enhance the interests of both creators and content owners.

Financial services business

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

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.

CONVERTIBLE BONDS

2008 Convertible Bonds

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

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

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

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

On 28 December 2022, upon the completion of the subscription and issue of 2022 CBs, the principal amount of HK\$55,000,000 of 2008 CBs was offset and settled with the subscription price of 2022 CBs.

As at 31 December 2022, the Company had 2008 CBs with principal amount of HK\$14.1 million conferring rights to convert into a total of 15,631,111 Shares with the conversion price of HK\$0.90 per conversion share.

Team Sunny Convertible Bonds

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

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

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

On 22 July 2021, the Company completed the 2021 Rights Issue and allotted and issued 346,310,897 Shares, on the basis of five (5) rights shares for every two (2) Shares held on 28 June 2021 at the subscription price of HK\$0.15 per rights share. Upon the completion of the 2021 Rights Issue, the conversion price of Team Sunny CB was adjusted to HK\$0.903 per conversion share.

On 6 July 2022, 15 November 2022, 29 November 2022 and 13 December 2022, the Company made a partial redemption in the aggregated principal amount of HK\$3,805,651 on part of the Team Sunny CB. On 28 December 2022, upon the completion of the subscription and issue of 2022 CBs, all the principal amount of Team Sunny CB was offset and settled with the subscription price of 2022 CBs.

2022 Convertible Bonds

On 14 November 2022, the Company entered into the subscription agreement with Team Sunny, pursuant to which Team Sunny conditionally agreed to subscribe and the Company conditionally agreed to issue the 2022 CBs in the principal amount of HK\$91,000,000 for the settlement of the outstanding debts due from the Company to Team Sunny in aggregate of HK\$91,000,000. The subscription amount payable by Team Sunny under the subscription agreement shall be satisfied by way of offsetting (i) the principal amount of HK\$55,000,000 under the 2008 CBs and payable by the Company to Team Sunny; and (ii) the outstanding principal amount of HK\$36,000,000 under Team Sunny CB and payable by the Company to Team Sunny.

The conversion price per conversion share for HK\$55,000,000 of the principal amount of the 2022 CBs for the period from the date of issue of the 2022 CBs up to and including 12 August 2023 shall be HK\$0.90 per conversion share and for the period from 13 August 2023 up to and including the maturity date shall be HK\$0.186 per conversion share; and the conversion price per conversion share for HK\$36,000,000 of the principal amount of the 2022 CBs for the period from the date of issue of the 2022 CBs up to and including 21 May 2023 shall be HK\$0.903 per conversion share and for the period from 22 May 2023 up to and including the maturity date shall be HK\$0.186 per conversion share.

On 28 December 2022, the subscription took place and the 2022 CBs in the principal amount of HK\$91,000,000 were issued to Team Sunny.

On 31 December 2022, the Company had 2022 CBs with principal amount of HK\$91.0 million, of which the principal amount of HK\$55.0 million conferring rights to convert into 61,111,111 Shares with the conversion price of HK\$0.90 per conversion share and the principal amount of HK\$36.0 million conferring rights to convert into 39,867,109 Shares with the conversion price of HK\$0.903 per conversion share.

DIVIDENDS

The Board resolved not to recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 31 December 2022, the Group recorded cash and bank balances (including trust accounts) amounting to approximately HK\$34.8 million (2021: approximately HK\$47.7 million) and the net current assets value was approximately HK\$10.3 million (2021: approximately HK\$38.9 million).

The Group's gearing ratio as at 31 December 2022 was approximately 1.08 (2021: approximately 0.96), being a ratio of total interest-bearing debts, including convertible bonds of approximately HK\$85.1 million (2021: approximately HK\$85.6 million) to the total assets of approximately HK\$79.1 million (2021: approximately HK\$88.9 million).

USE OF PROCEEDS FROM SHARE SUBSCRIPTION

The Company completed a share subscription on 7 July 2022, pursuant to which the Company has issued and allotted 15,000,000 Shares at a subscription price of HK\$0.21 per subscription share. The gross proceeds from the share subscription was HK\$3.15 million and the net proceeds after deducting relevant expenses was approximately HK\$3.0 million. The net subscription price per subscription share based on the net proceeds is HK\$0.20.

As at 31 December 2022, the intended and actual use of the net proceeds from the share subscription is stated as below:

Amount HK\$ million	Intended use	Actual use
3.0	General working capital of NOIZ	The remaining net proceeds of approximately HK\$800,000 is expected to be utilised as intended within 2 months.

USE OF PROCEEDS FROM 2021 RIGHTS ISSUE

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

As at 31 December 2022, the intended and actual use of the net proceeds from the 2021 Rights Issue is stated as below:

Amount HK\$ million	Intended use	Actual use
28.89	Repayment of the promissory notes issued by the Company on 21 April 2015	Fully utilised as intended
7.93	Repayment of the loan indebted to Mr. Lau Chung Yan by the Company	Fully utilised as intended
12.97	General working capital and future investment	Fully utilised as intended
<u>49.79</u>		

PLEDGE OF ASSETS

As at 31 December 2022, the Group had no pledged assets (2021: Nil).

CAPITAL STRUCTURE

On 4 July 2022, the Company allotted and issued 66,666,663 Shares in respect of the acquisition of NOIZ pursuant to the sale and purchase agreement dated 13 June 2022.

On 7 July 2022, the Company allotted and issued 15,000,000 Shares pursuant to the subscription agreement dated 17 June 2022.

Save as disclosed, the Company had no changes in capital structure during the year ended 31 December 2022.

INVESTMENT POSITION AND PLANNING

Investment in SPAC projects

On 22 February 2022, the Group acquired 43.75% of the issued share capital of a private company, with the aim of involving in the investment in SPAC projects with 2.88% effective equity interest, at a consideration of US\$350,000 (equivalent to approximately HK\$2.7 million). The investment was recognised as financial asset at fair value through other comprehensive income. The acquisition was classified as a non-discloseable transaction under Chapter 19 of the GEM Listing Rules.

Acquisition of 100% interest of NOIZ

On 4 July 2022, the Group completed the acquisition of the entire issued share capital of NOIZ, a business of digital platform, at a consideration of HK\$15,133,000. The consideration was satisfied by the Company by the allotment and issue of an aggregate of 66,666,663 consideration shares to the vendors at the issue price of approximately HK\$0.227 per consideration share.

Details were set out in the Company's announcements dated 13 June 2022 and 4 July 2022.

Disposal of Trading Business

On 23 September 2022, the Company as the vendor entered into the sale and purchase agreement with an independent third party, to dispose the entire issued share capital of End User Investments Limited, a wholly-owned subsidiary, at a consideration of HK\$1. The disposal was completed on 23 September 2022.

Details were set out in the Company's announcement dated 23 September 2022.

CONTINGENT LIABILITIES

As at 31 December 2022, save for the litigation, the Group had no other significant contingent liabilities (2021: Nil).

CAPITAL COMMITMENTS

As at 31 December 2022, the Group had no significant capital commitments (2021: Nil).

FOREIGN EXCHANGE RISK

The Group's business is principally denominated in Hong Kong dollars. As certain bank deposits denominated in Renminbi, therefore, the Group is exposed to foreign currency exchange risk. No currency hedging arrangement had been made by the Group during the year ended 31 December 2022. The Directors have positive attitude to regular monitor the exposure to foreign exchange so as to reduce the foreign exchange rate risk to minimal.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group employed 29 staffs (2021: 38). The Group's remuneration policy is based on principle of equality, motivating, performance-oriented and market-competitiveness. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits included provident fund contributions, medical insurance coverage and performance related bonuses. A share option scheme is also established to reward and motivate the employees of the Group.

CONNECTED TRANSACTIONS

Save as disclosed, the Company did not have any other connected transactions which were subject to the reporting requirements under Chapter 20 of the GEM Listing Rules for the year ended 31 December 2022.

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 2022.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has always recognised the importance of the transparency and accountability to shareholders of the Company (the “**Shareholders**”). It is the belief of the Board that the Shareholders can maximise their benefits from good corporate governance. The Company is committed to maintaining a good and sensible framework of corporate governance and to complying with applicable statutory and regulatory requirements with a view to assuring the conduct of management as well as protecting the interests of the Shareholders.

Throughout the year, to the best knowledge of the Board, the Company has applied the principles and complied with all the applicable code provisions as set out in the Corporate Governance Code (the “**CG Code**”) to the Appendix 15 of the GEM Listing Rules in force during the year except for the deviation as mentioned below.

Code Provision C.2.1

Pursuant to the code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the Required Standard of Dealings throughout the year and up to the date of this annual results announcement.

AUDIT COMMITTEE

The Company has established the audit committee of the Company (the “**Audit Committee**”) with specific written terms of reference in accordance with the requirements of the GEM Listing Rules. The main duties of the Audit Committee include: (i) reviewing the quarterly, half-yearly and annual results of the Group; (ii) reviewing the risk management and internal control systems, the effectiveness of the internal audit function of the Group; (iii) reviewing the effectiveness of the internal audit function of the Company; (iv) ensuring 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; and (v) reviewing and investigation of reports of the whistleblowing policy and systems.

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

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2022 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 disclosures 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 2022 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 31 March 2023.

ANNUAL GENERAL MEETING

The notice of the annual general meeting of 2023 of the shareholders of the Company will be published and despatched to the shareholders of the Company in the manner as required by the GEM Listing Rules in due course.

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

Hong Kong, 22 March 2023

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

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Listed Company Information” page for at least seven days from the day of its publication and posting and will be published and remains on the website of the Company at <http://www.merdeka.com.hk>.

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