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RaffAello-Astrum Financial Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8333)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022 AND CLARIFICATION ANNOUNCEMENT

CHARACTERISTICS OF 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This announcement, for which the directors (the “**Directors**”) of RaffAello-Astrum Financial Holdings 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.*

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange (www.hkexnews.hk) for at least 7 days from the date of its publication and on the website of the Company (www.astrum-capital.com/raffaello-astrum/).

SUMMARY

- Revenue for the six months ended 30 June 2022 amounted to approximately HK\$3,931,000 (six months ended 30 June 2021: approximately HK\$7,718,000).
- Loss and total comprehensive expense attributable to owners of the Company for the six months ended 30 June 2022 amounted to approximately HK\$22,722,000 (six months ended 30 June 2021: approximately HK\$8,393,000).
- Basic loss per share for the six months ended 30 June 2022 amounted to approximately HK1.90 cents (six months ended 30 June 2021: approximately HK0.92 cents).
- The Board does not recommend the payment of any dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months and six months ended 30 June 2022 together with the comparative unaudited figures for the corresponding periods in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2022

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	2,033	3,279	3,931	7,718
Other income	4	970	163	1,319	1,169
Fair value changes on financial assets at fair value through profit or loss		1,798	(11)	(12,302)	30
Administrative and other operating expenses		(7,678)	(7,502)	(15,536)	(16,109)
Finance costs		(18)	(256)	(40)	(1,201)
Share of result of an associate		—	—	(94)	—
Loss before tax	5	(2,895)	(4,327)	(22,722)	(8,393)
Income tax expense	6	—	—	—	—
Loss and total comprehensive expense for the period attributable to owners of the Company		(2,895)	(4,327)	(22,722)	(8,393)
Loss per share					
– Basic and diluted (HK cents)	8	(0.24)	(0.45)	(1.90)	(0.92)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	6,344	7,577
Right-of-use assets		1,999	3,199
Intangible assets		950	950
Investment in an associate		—	22,003
Debt securities at amortised cost		5,800	—
Financial assets at fair value through profit or loss	11	9,011	8,830
Other assets		2,002	2,025
		26,106	44,584
Current assets			
Trade receivables	10	67,050	81,528
Deposits, prepayments and other receivables		1,010	1,879
Tax recoverable		517	517
Debt securities at amortised cost		12,782	12,358
Financial assets at fair value through profit or loss	11	9,674	26,876
Bank balances and cash			
– General accounts and cash		49,992	66,420
– Trust accounts		58,991	99,142
		200,016	288,720
Assets classified as held for sale	12	33,562	—
		233,578	288,720
Total assets		259,684	333,304
Current liabilities			
Trade payables	13	62,788	112,010
Other payables and accruals		849	1,335
Lease liabilities		2,025	2,398
		65,662	115,743
Net current assets		167,916	172,977
Total assets less current liabilities		194,022	217,561
Non-current liabilities			
Deferred tax liabilities		391	391
Lease liabilities		—	817
		391	1,208
Net assets		193,631	216,353

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	14	11,930	11,930
Reserves		181,701	204,423
Total equity		193,631	216,353

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company					Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Share options reserve HK\$'000	Retained profits HK\$'000	
	Six months ended 30 June 2021					
Balance at 1 January 2021 (Audited)	8,000	77,179	38,401	—	49,843	173,423
Loss and total comprehensive expense for the period	—	—	—	—	(8,393)	(8,393)
Issue of new shares under placing	1,600	11,680	—	—	—	13,280
Transaction costs attributable to issue of shares under placing	—	(204)	—	—	—	(204)
Recognition of equity-settled share-based payments	—	—	—	1,262	—	1,262
Balance at 30 June 2021 (Unaudited)	9,600	88,655	38,401	1,262	41,450	179,368
Six months ended 30 June 2022						
Balance at 1 January 2022 (Audited)	11,930	123,580	38,401	1,326	41,116	216,353
Loss and total comprehensive expense for the period	—	—	—	—	(22,722)	(22,722)
Lapse of share options	—	—	—	(73)	73	—
Balance at 30 June 2022 (Unaudited)	11,930	123,580	38,401	1,253	18,467	193,631

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(15,223)	(505,171)
Net cash generated from/(used in) investing activities	25	(5,083)
Net cash (used in)/generated from financing activities	(1,230)	461,797
Net decrease in cash and cash equivalents	(16,428)	(48,457)
Cash and cash equivalents at the beginning of period	66,311	94,720
Cash and cash equivalents at the end of period	49,883	46,263
Analysis of the balances of cash and cash equivalents		
Bank balances and cash, excluding trust accounts	49,992	46,371
Less:		
Fixed deposit with original maturity over three months	(109)	(108)
	49,883	46,263

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL INFORMATION

RaffAello-Astrum Financial Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 13 January 2015 as an exempted company with limited liability. The shares of the Company are listed on GEM of the Stock Exchange. Its parent and ultimate holding company is Autumn Ocean Limited, a company incorporated in British Virgin Islands and wholly-owned by Mr. Pan Chik (“**Mr. Pan**”), the controlling shareholder, an executive director and the chairman of the Company.

The address of the registered office of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and the address of the principal place of business is Room 2704, 27/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) is principally engaged in the provision of brokerage services, placing and underwriting services, corporate finance advisory services, financing services including securities and initial public offering financing and asset management services.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of Chapter 18 to the GEM Listing Rules. These unaudited condensed consolidated financial statements do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2022 are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2021, except in relation to the application of the new and amendments HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting beginning on 1 January 2022.

The application of these new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and position for the current and prior periods and/or disclosure set out in these unaudited condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

2. BASIS OF PREPARATION (Continued)

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective.

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
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

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

² Effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of the impact for those new and amendments to HKFRSs, which are not yet effective, upon initial application but is not yet in a position to state whether these new and amendments to HKFRSs would have a significant impact on the Group's results of operation and financial position.

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

2. BASIS OF PREPARATION (Continued)

The preparation of the unaudited condensed consolidated financial statements in conformity with the HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The unaudited condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee of the Company. The unaudited condensed financial statements were approved by the Board for publication on 8 August 2022.

3. REVENUE AND SEGMENT INFORMATION

Based on the information reported to the executive directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment, the Group has determined that it only has one operating segment which is the provision of brokerage services, placing and underwriting services, corporate finance advisory services, financing services including securities and initial public offering financing and asset management services. Since this is the only operating segment of the Group, no further analysis for segment information is presented.

Revenue from major services

The Group's revenue for the three months and six months ended 30 June 2022 and 2021 are as follows:

	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue from contracts with customers				
Commission from brokerage services	493	514	1,172	1,597
Placing and underwriting commission	540	884	540	1,229
Corporate finance advisory services fee	65	355	330	1,078
Asset management services				
– Fund management and performance fee	284	653	593	1,055
	1,382	2,406	2,635	4,959
Revenue from other sources				
Interest income from securities and initial public offering financing	651	873	1,296	2,759
Total revenue	2,033	3,279	3,931	7,718

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers

	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Timing of revenue recognition from contracts with customers				
– On a point in time basis	1,033	1,398	1,712	2,826
– Over time basis	349	1,008	923	2,133
	1,382	2,406	2,635	4,959

4. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest income from				
– banks	1	2	1	2
– debt securities	247	—	424	—
– others	1	1	2	2
Administrative services income	3	3	51	7
Dividends from equity investments	22	15	24	18
Management fee income	25	28	51	52
Handling fee income	295	114	390	1,085
Sundry income	376	—	376	3
	970	163	1,319	1,169

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

5. LOSS BEFORE TAX

Loss before tax has been arrived at after charging/(crediting):

	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Auditors' remuneration	195	157	390	315
Commission expenses	—	124	—	146
Depreciation of property, plant and equipment	615	631	1,231	1,074
Depreciation of right-of-use assets	600	234	1,200	937
Interest expense on borrowings	—	256	—	1,198
Interest expense on lease liabilities	18	—	40	3
Net foreign exchange loss	45	(22)	45	(22)
Reversal of write off of trade receivables	—	—	(268)	—
Employee benefits expense:				
Salaries and other benefits	3,949	3,874	8,699	8,162
Equity-settled share-based payments	—	—	—	969
Commission to accounts executives	56	118	164	384
Contributions to retirement benefit scheme	100	100	197	205
Total employee benefits expense, including directors' emoluments	4,105	4,092	9,060	9,720

6. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong Profits Tax:				
– Current period	—	—	—	—

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits derived from or arising in Hong Kong during the three months and six months ended 30 June 2022 and 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

7. DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

8. LOSS PER SHARE

	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Loss				
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(2,895)</u>	<u>(4,327)</u>	<u>(22,722)</u>	<u>(8,393)</u>
	Three months ended 30 June		Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>1,193,000,000</u>	<u>960,000,000</u>	<u>1,193,000,000</u>	<u>913,591,160</u>

The computation of diluted loss per share did not assume the exercise of the Company's outstanding share options since their assumed exercise would have an anti-dilutive effect for the three and six months ended 30 June 2022 and 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group did not acquire property, plant and equipment (six months ended 30 June 2021: approximately HK\$5.1 million).

10. TRADE RECEIVABLES

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Trade receivables arising from the ordinary course of business of:		
Dealing in securities		
Clients – cash	1,215	604
Clients – margin	58,820	58,935
Clearing house	—	20,525
Subscriptions of new shares in initial public offering	6,282	—
	66,317	80,064
Dealing in futures contracts		
Clearing house	637	1,173
Corporate finance advisory services	—	75
Asset management services	96	216
	67,050	81,528

The settlement terms of trade receivables arising from the ordinary course of business of (i) dealing in securities from cash clients and clearing house are two days after trade date; and (ii) dealing in futures contracts are one day after trade date.

The credit terms of trade receivables arising from the ordinary course of business of (i) corporate finance advisory services are 7 days or due upon issuance of invoice; and (ii) asset management services are 30 days.

The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk and the overdue balances are regularly reviewed by senior management.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

10. TRADE RECEIVABLES (Continued)

Margin clients are required to pledge securities collateral to the Group in order to obtain the margin facilities for securities trading. At 30 June 2022, loans to margin clients are secured by clients' securities pledged as collateral with market value of approximately HK\$270,785,000 (31 December 2021: approximately HK\$289,488,000). Management has assessed the market value of the pledged securities of each individual client who has margin shortfall at the end of each reporting period. As at 30 June 2022, the market value of the pledged securities of each individual trading accounts exceeded its respective outstanding margin balance. The margin loans are repayable on demand and bear variable interest at commercial rates. No aged analysis of margin loans and subscriptions of new shares in initial public offering is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of this business.

The ageing analysis of the trade receivables arising from cash clients and clearing houses presented based on the trade date is as follows:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
0 – 30 days	<u>1,852</u>	<u>22,302</u>

The ageing analysis of the trade receivables arising from corporate finance advisory services and asset management services presented based on invoice date are as follows:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
0 – 30 days	96	182
31 – 60 days	—	109
Total	<u>96</u>	<u>291</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Equity securities listed in Hong Kong	9,674	2,553
Units in unlisted investment fund outside Hong Kong	9,011	8,830
Put and repurchase option in relation to acquisition of an associate	—	24,323
	18,685	35,706
Analysed for reporting purposes as:		
Current assets	9,674	26,876
Non-current assets	9,011	8,830
	18,685	35,706

The Group invested in an investment fund and there is no unfilled capital commitment as at 30 June 2022 and 31 December 2021. This investment fund invests in mainly listed equity securities with the primary objectives to provide the investors with capital growth.

Details of disclosure for fair value measurement are set out in Note 16.

12. ASSETS CLASSIFIED AS HELD FOR SALE

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Assets classified as held for sale:		
Investment in an associate	21,909	—
Put and repurchase option in relation to acquisition of an associate	11,653	—
	33,562	—

On 6 July 2021, the Company as purchaser, RaffAello Holdings Limited (“**RaffAello Holdings**”) as vendor and RS (BVI) Holdings Limited (“**RS (BVI)**”) entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) (as amended and supplemented by a supplemental agreement dated 15 July 2021), pursuant to which the Company has conditionally agreed to purchase, and RaffAello Holdings has conditionally agreed to sell, 25% of the issued share capital of RS (BVI) (the “**Sale Shares**”) for the consideration of HK\$32,853,000 (the “**Acquisition**”). The consideration for the Acquisition was satisfied by way of allotment and issue of an aggregate of 233,000,000 consideration shares (the “**Buy-back Shares**”) at HK\$0.141 per share, credited as fully paid, by the Company to RaffAello Holdings upon completion on 30 September 2021. Upon completion, RS (BVI) was owned as to 75% and 25% by RaffAello Holdings and the Company, respectively, and RS (BVI) was accounted for as an associate company of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

12. ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

Pursuant to the terms and conditions of the Sale and Purchase Agreement, RaffAello Holdings irrevocably and unconditionally warranted and guaranteed to the Company (or its nominee)(the “**Profit Guarantee**”) that the profit after tax of RaffAello Securities (HK) Limited (“**RSL**”), a wholly-owned subsidiary of RS (BVI), to be reported in accordance with Hong Kong Financial Reporting Standards as shown in its audited financial statements for the year ended 31 March 2022 (the “**Audited Full-Year Financial Statements**”), excluding any extraordinary or exceptional items such as subsidy, donation or other revenue derived outside the ordinary course of business of RSL, issued by the auditors will not be less than HK\$15,500,000 (the “**Guaranteed Profit**”). Details of the Acquisition were disclosed in the announcements of the Company dated 6 July 2021, 15 July 2021 and 30 September 2021, and the circular of the Company dated 7 September 2021 in respect of the Acquisition (the “**Acquisition Circular**”).

Based on the unaudited management accounts of RSL for the year ended 31 March 2022, the unaudited profit before and after tax of RSL for the year ended 31 March 2022 as shown in such management accounts was less than HK\$1.0 million, which fell short of the Guaranteed Profit. Based on such management accounts, the Guaranteed Profit was unlikely to be achieved. In view of the foregoing, the Company and RaffAello Holdings have negotiated in good faith towards each other with a view to settling the matter amicably and as a result of such negotiation, on 16 June 2022, the Company, RaffAello Holdings and RS (BVI) entered into a settlement deed (the “**Settlement Deed**”), which it is agreed among the parties thereto that (i) the Company shall sell and RaffAello Holdings shall purchase the Sale Shares at HK\$32,853,000 (i.e. the Disposal Price, which is equivalent to the consideration for the Acquisition)(the “**Equity Disposal**”); (ii) RaffAello Holdings shall through the escrow agent sell the Buy-back Shares and the Company shall purchase the Buy-back Shares for cancellation at HK\$32,853,000 (i.e. the Buy-back Price, which is HK\$0.141 per Buy-back Share and shall be satisfied by the Company by way of the transfer of the Sale Shares to RaffAello Holdings at the Disposal Price)(the “**Share Buy-back**”); and (iii) the option deed dated 30 September 2021 entered into between the Company and RaffAello Holdings in relation to the Put and Repurchase Option (as defined in the announcement of the Company dated 16 June 2022), and the shareholders’ agreement entered into between the Company, RaffAello Holdings and RS (BVI), be terminated with effect from the completion date (the “**Termination**”). Details of the Settlement Deed, the Equity Disposal, the Share Buy-back and the Termination were disclosed in the announcements of the Company dated 16 June 2022 and 17 June 2022.

Accordingly, the carrying values of the investment in an associate of approximately HK\$21,909,000 as at 31 March 2022 and the Put and Repurchase Option (which was previously included in financial assets at fair value through profit or loss) of approximately HK\$11,653,000 as at 31 March 2022 have been reclassified as assets classified as held for sale as at 30 June 2022.

As at the date of this announcement, the completion of the Settlement Deed, the Equity Disposal, the Share Buy-back and the Termination have not yet been taken place.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

13. TRADE PAYABLES

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Trade payables arising from the ordinary course of business of:		
Dealing in securities		
Clients – cash	27,461	37,469
Clients – margin	30,840	71,960
Clearing house	1,752	—
	60,053	109,429
Dealing in futures contracts		
Clients	2,735	2,581
	62,788	112,010

The settlement terms of trade payables arising from the ordinary course of business of (i) dealing in securities are two days after trade date; and (ii) dealing in futures contracts are one day after trade date.

Trade payables to clients are interest-free, and are repayable on demand subsequent to settlement date except where certain trade payables to clients represent margin deposits received from clients for their trading in futures contracts under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of business.

At 30 June 2022, the trade payables amounting to approximately HK\$58,991,000 (31 December 2021: approximately HK\$99,142,000) was payable to clients in respect of the trust and segregated bank balances received which were held for clients in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these payables with the deposits placed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

14. SHARE CAPITAL

Details of the Company's authorised and issued ordinary share capital are as follows:

	Number of ordinary shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2022 and 30 June 2022	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 1 January 2022 and 30 June 2022	<u>1,193,000,000</u>	<u>11,930</u>

15. SIGNIFICANT RELATED PARTY TRANSACTIONS

(i) Transactions with related parties

During the six months ended 30 June 2022 and 2021, the Group entered into the following significant transactions with its related parties:

Related party	Nature of transaction	Notes	Six months ended 30 June	
			2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Mr. Pan	Commission income	(a)	11	42
	Interest income	(b)	22	64
Close family members of Mr. Pan	Commission income	(a)	20	35
	Interest income	(b)	193	308
Shine Clear Investments Limited (Note (c))	Commission income	(a)	2	22
	Interest income	(b)	7	21
Mr. Kwan Chun Yee, Hidulf ("Mr. Kwan")	Commission income	(a)	2	2
	Interest income	(b)	—	40
Close family members of Mr. Kwan	Interest income	(b)	<u>1</u>	<u>6</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

15. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(i) Transactions with related parties (Continued)

Notes:

- (a) The commission income from brokerage services for (i) dealing in securities was calculated at rates ranging from 0.1% to 0.2% (subject to minimum charge of HK\$80); and (ii) dealing in futures contracts was based on the rates which were substantially in line with those normally received by the Group from third parties.
- (b) The interest income received from (i) securities financing was based on rates ranging from 2.5% to 11.0% per annum; and (ii) initial public offering financing was based on the rates which were substantially in line with those normally received by the Group from third parties.
- (c) Shine Clear Investments Limited was wholly-owned by a close family member of Mr. Pan and a related party of the Group.

On 10 June 2022, a close family member of Mr. Pan disposed all equity interests in Shine Clear Investments Limited to an independent third party and ceased to be a director of Shine Clear Investments Limited, and thereafter, Shine Clear Investments Limited was no longer a related party of the Group and all transactions between the Group and Shine Clear Investments Limited do not constitute related party transactions of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

(ii) Outstanding balances with related parties

Included in trade receivables and trade payables arising from the ordinary course of business of dealing in securities and futures contracts are amounts due from and (to) certain related parties. Details of which are as follows:

Related party	Nature of account	Notes	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Mr. Pan	Margin account	(a)	1,712	740
	Futures account		(318)	(417)
Mr. Kwan	Margin account	(b)	(62)	231
Close family members of Mr. Pan	Margin account	(c)	6,166	14,726
	Cash account	(f)	(332)	(18)
Close family members of Mr. Kwan	Margin account	(d)	78	28
Shine Clear Investments Limited	Margin account	(e)	—	720
Mr. Fung Tat Hung Ricky, a member of the key management personnel	Margin account		(506)	(52)
	Futures account		(501)	(801)
Mr. Lam Wing Tai, a member of the key management personnel	Margin account		(1,106)	(1,584)
	Futures account		(301)	(301)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

15. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(ii) Outstanding balances with related parties (Continued)

Notes:

- (a) The maximum outstanding balance during the six months ended 30 June 2022 was approximately HK\$1,949,000.
- (b) The maximum outstanding balance during the six months ended 30 June 2022 was approximately HK\$231,000.
- (c) The maximum outstanding balance during the six months ended 30 June 2022 was approximately HK\$14,883,000.
- (d) The maximum outstanding balance during the six months ended 30 June 2022 was approximately HK\$78,000.
- (e) On 10 June 2022, Shine Clear Investments Limited was no longer a related party of the Group, the maximum outstanding balance during the period from 1 January 2022 to 10 June 2022 was approximately HK\$720,000.
- (f) The outstanding balance of cash account represents the net balance of the account at the end of the reporting period.

(iii) Compensation of key management personnel

Key management includes executive directors and senior management of the Group. The remuneration of key management during the six months ended 30 June 2022 and 2021 are as follows:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Salaries and other benefits in kind	3,617	2,733
Equity-settled share-based payments	—	389
Contributions to retirement benefit scheme	49	36
	3,666	3,158

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety. The description of which are as follows:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs are unobservable inputs for the asset or liability.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table presents the Group's financial assets that are measured at fair value at 30 June 2022 and 31 December 2021:

	Fair value		Fair value hierarchy	Valuation technique
	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)		
Financial assets				
<i>Financial assets at fair value through profit or loss</i>				
Listed equity securities	9,674	2,553	Level 1	Quoted market price in an active market
Units in unlisted investment funds	9,011	8,830	Level 2	Net assets value of the fund
Put and repurchase option	—	24,323	Level 3	Monte Carlo simulation model

There were no transfers between the different levels of the fair value hierarchy during the six months ended 30 June 2022 and the year ended 31 December 2021.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of the Group's financial assets and financial liabilities as reflected in the unaudited condensed consolidated statement of financial position are not materially different from their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of brokerage services, placing and underwriting services, corporate finance advisory services, financing services including securities and initial public offering (“IPO”) financing, and asset management services.

The financial results of the Group for the six months ended 30 June 2022 (the “**Current Period**”) were unsatisfactory due to the (a) the significant decrease in revenue from approximately HK\$7,718,000 for the six months ended 30 Jun 2021 (the “**Corresponding Period**”) to approximately HK\$3,931,000 for the Current Period; and (b) the recognition of fair value loss of the Put and Repurchase Option relating to investment in an associate of HK\$12,670,000 (Corresponding Period: Nil), and hence, the Group recorded a loss and total comprehensive expense attributable to owners of the Company of approximately HK\$22,722,000 for the Current Period as compared to that of approximately HK\$8,393,000 for the Corresponding Period.

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased significantly by approximately 49.1% from approximately HK\$7,718,000 for the Corresponding Period to approximately HK\$3,931,000 for the Current Period.

Commission from brokerage services decreased significantly by approximately 26.6% from approximately HK\$1,597,000 for the Corresponding Period to approximately HK\$1,172,000 for the Current Period. Such decrease was mainly attributable to the decrease in the transaction amount of customers' securities dealing under the poor stock market sentiment in the first half of 2022.

Placing and underwriting commission decreased significantly by approximately 56.1% from approximately HK\$1,229,000 for the Corresponding Period to approximately HK\$540,000 for the Current Period. Such decrease was mainly due to the decrease in the number of placing and underwriting engagements from six engagements in the Corresponding Period to four engagements in the Current Period.

Corporate finance advisory services fee decreased significantly by approximately 69.4% from approximately HK\$1,078,000 for the Corresponding Period to approximately HK\$330,000 for the Current Period. Such decrease was mainly due to the decrease in the number of corporate finance advisory engagements from nine engagements in the Corresponding Period to two engagements in the Current Period.

Interest income from securities and IPO financing decreased significantly by approximately 53.0% from approximately HK\$2,759,000 for the Corresponding Period to approximately HK\$1,296,000 for the Current Period. Such decrease was mainly attributable to the weak demand from client for securities and IPO financing services.

Asset management services fee decreased by approximately 43.8% from approximately HK\$1,055,000 for the Corresponding Period to approximately HK\$593,000 for the Current Period. The management fee dropped slightly to approximately HK\$593,000 for the Current Period (Corresponding Period: HK\$730,000) but no performance fee was recognised for the Current Period (Corresponding Period: approximately HK\$325,000) as the net asset value per share of Astrum Absolute Return China Fund did not surpass the high water mark achieved in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Other income

Other income increased by approximately 12.8% from approximately HK\$1,169,000 for the Corresponding Period to approximately HK\$1,319,000 for the Current Period. Such increase was mainly due to (a) recognition of interest income from unlisted debt securities of approximately HK\$424,000 during the Current Period (Corresponding Period: Nil); and (b) the receipt of subsidies of HK\$376,000 from Hong Kong Government in relation to the 2022 Employment Support Scheme under the Anti-epidemic Fund, which is partially offset by the significant decrease in the handling fee income from approximately HK\$1,085,000 for the Corresponding Period to approximately HK\$390,000 for the Current Period.

Fair value changes on financial assets at fair value through profit or loss (“FVTPL”)

The Company has invested a certain portion of the idle cash in equity securities listed on the Stock Exchange and one unlisted investment fund.

During the Current Period, the Group recorded a net loss arising from fair value changes on financial assets at FVTPL of approximately HK\$12,302,000 (Corresponding Period: gain of approximately HK\$30,000), including (a) fair value gain of securities and fund investments of approximately HK\$368,000 (Corresponding Period: approximately HK\$30,000) and (b) fair value loss of the Put and Repurchase Option of HK\$12,670,000 (Corresponding Period: Nil).

The fair value loss of the Put and Repurchase Option of HK\$12,670,000 was determined based on the appraisal of an independent professional valuer. Such fair value loss is a non-cash and extraordinary item and will not have any material impact on the Group’s cash flows and daily operation of business.

In light of volatility in the Hong Kong and global financial markets and economic conditions, the Group will continue to adopt a conservative approach in managing the investment portfolio in respect of securities and fund investments.

Administrative and other operating expenses

Administrative and other operating expenses decreased slightly by approximately 3.6% from approximately HK\$16,109,000 for the Corresponding Period to approximately HK\$15,536,000 for the Current Period. Such decrease was mainly due to (a) the decrease in total employee benefits expense by approximately HK\$660,000 and (b) the recognition of reversal of write-off of trade receivables of approximately HK\$268,000 for the Current Period (Corresponding Period: Nil).

Finance costs

Finance costs decreased significantly by approximately 96.7% from approximately HK\$1,201,000 for the Corresponding Period to approximately HK\$40,000 for the Current Period. Such decrease was mainly due to the absence of interest expense arising from utilisation of IPO staging bank loan facility for the Current Period.

MANAGEMENT DISCUSSION AND ANALYSIS

LOSS FOR THE PERIOD

As a result of the foregoing, loss of approximately HK\$22,722,000 for the Current Period was recorded as compared to that of approximately HK\$8,393,000 for the Corresponding Period.

PROSPECTS

Amid the fifth wave of coronavirus pandemic (the “**COVID-19**”) outbreak in the beginning of 2022, the number of daily confirmed cases has once peaked at a level of over 70,000 in Hong Kong in March 2022. The raging pandemic has caused the Hong Kong Government to tighten anti-pandemic measures again, which has put economic activities and sentiment under pressure for yet another time. Following the increasing number of people vaccinated against COVID-19 as well as the effectiveness of the anti-pandemic measures imposed, the pandemic tended to be under control in the second quarter of 2022 and the economic activity in Hong Kong has started to recover in an orderly manner.

In addition to the prolonged adverse effects of COVID-19, the ongoing Russian-Ukrainian war, the disruption of supply chains followed by the rising global inflation and the interest rate hike in the United States of America also cast a shadow on the global economic outlook. The global and Hong Kong stock markets are expected to face continuous risks and uncertainties. The management of the Group would review and adjust business strategies on a regular basis with a prudent and balanced risk management approach so as to cope with the current unpredictable economic situation.

Subsequent to 30 June 2022 and up to the date of this announcement, the Group had one corporate finance advisory engagement in progress.

EMPLOYEE INFORMATION

As at 30 June 2022, the Group had 28 employees (31 December 2021: 30 employees) and 7 account executives (31 December 2021: 6 account executives). Total staff costs (including directors’ remuneration) decreased from approximately HK\$9,720,000 for the Corresponding Period to approximately HK\$9,060,000 for the Current Period, representing a decrease of approximately 6.8%. Such decrease was mainly due to absence of recognition of equity-settled share-based payments for the Current Period (Corresponding Period: approximately HK\$969,000).

Employees’ remuneration was determined based on the employees’ qualification, experience, position and seniority. Review of employee remuneration is conducted annually to determine whether any bonus or salary adjustments are required to be made.

The Group also has a share option scheme in place to reward and motivate employees. Details of which please refer to the paragraph headed “SHARE OPTION SCHEME”.

Most of the employees are licensed with the Securities and Futures Commission of Hong Kong as responsible officers or licensed representatives and therefore are required to comply with the continuous professional training requirements. From time to time, the Group provides in-house continuous professional training and updates on changes or development in the financial industry including the revisions on rules and regulations to update the employees’ knowledge and skills so as to maintain their professional competence and keep them remaining fit and proper.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

During the Current Period, the Group mainly financed its operations, capital expenditures and other capital requirements by internal resources.

As at 30 June 2022,

- (i) the total assets of the Group amounted to approximately HK\$259,684,000 (31 December 2021: approximately HK\$333,304,000). Such decrease in total assets was mainly attributable to (a) recognition of fair value loss of the Put and Repurchase Option relating to investment in an associate of HK\$12,670,000 during the Current Period; and (b) absence of trade receivables from clearing house arising from dealing in securities (31 December 2021: approximately HK\$20,525,000); and (c) net margin/cash client withdrawals of approximately HK\$40,151,000 during the Current Period;
- (ii) the total equity attributable to owners of the Company amounted to approximately HK\$193,631,000 (31 December 2021: approximately HK\$216,353,000). Such decrease in total equity attributable to owners of the Company was mainly due to the loss and total comprehensive expense attributable to owners of the Company of approximately HK\$22,722,000 recorded for the Current Period;
- (iii) the net current assets of the Group amounted to approximately HK\$167,916,000 (31 December 2021: approximately HK\$172,977,000) and the current ratio of the Group, being the ratio of current assets to current liabilities, increased to approximately 3.6 times (31 December 2021: approximately 2.5 times);
- (iv) the total bank balances and cash of the Group, which were substantially denominated in Hong Kong Dollars, amounted to approximately HK\$108,983,000 (31 December 2021: approximately HK\$165,562,000). Such decrease was mainly due to (a) net margin/cash client withdrawals of approximately HK\$40,151,000 during the Current Period; and (b) net cash used in operating activities of HK\$15,223,000 during the Current Period; and
- (v) the Group did not have any debt (31 December 2021: Nil) and therefore gearing ratio was not applicable.

CHARGES ON THE GROUP'S ASSETS

The Group did not have any charges of assets as at 30 June 2022 (31 December 2021: Nil).

FOREIGN EXCHANGE EXPOSURE

The turnover and business costs of the Group were principally denominated in Hong Kong dollars. Therefore, the exposure to the risk of foreign exchange rate fluctuations for the Group was minimal and no financial instrument for hedging was employed during the Current Period.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS

Details of significant investments, representing investment in an investee company with a value of 5 per cent. or more of the Group's total assets as at 30 June 2022, are set out as follows:

	As at 30 June 2022				During the Current Period				
	No. of shares held	% of shares held in the investee	% to the Group's total assets	Fair value/ Carrying amount (HK\$'000)	Share of result of an associate (HK\$'000)	Impairment loss recognised (HK\$'000)	Fair value loss (HK\$'000)	Dividend income (HK\$'000)	Investment cost (HK\$'000)
Assets classified as held for sale:									
Investment in an associate - RS (BVI)	25	25%	8.4%	21,909	(94)	—	N/A	—	36,756
Put and Repurchase Option	N/A	N/A	4.5%	11,653	N/A	N/A	(12,670)	N/A	524

Note: The total investment cost of RS (BVI) of HK\$37,280,000 is calculated by multiplying 233,000,000 consideration shares allotted and issued on 30 September 2021 and the closing price of the consideration shares of HK\$0.16 as at 30 September 2021, of which HK\$36,756,000 and HK\$524,000 relate to cost of investment in an associate and fair value of the Put and Repurchase Option, respectively, on 30 September 2021.

Based on the unaudited management accounts of RSL for the year ended 31 March 2022, the unaudited profit before and after tax of RSL for the year ended 31 March 2022 as shown in such management accounts was less than HK\$1.0 million, which fell short of the Guaranteed Profit. Based on such management accounts, the Guaranteed Profit was unlikely to be achieved. In view of the foregoing, the Company and RaffAello Holdings have negotiated in good faith towards each other with a view to settling the matter amicably and as a result of such negotiation, on 16 June 2022, the Company, RaffAello Holdings and RS (BVI) entered into the Settlement Deed, which it is agreed among the parties thereto that (i) the Company shall sell and RaffAello Holdings shall purchase the Sale Shares at HK\$32,853,000 (i.e. the Disposal Price, which is equivalent to the consideration for the Acquisition)(i.e. the Equity Disposal); (ii) RaffAello Holdings shall through the escrow agent sell the Buy-back Shares and the Company shall purchase the Buy-back Shares for cancellation at HK\$32,853,000 (i.e. the Buy-back Price, which is HK\$0.141 per Buy-back Share and shall be satisfied by the Company by way of the transfer of the Sale Shares to RaffAello Holdings at the Disposal Price)(i.e. the Share Buy-back); and (iii) the option deed dated 30 September 2021 entered into between the Company and RaffAello Holdings in relation to the Put and Repurchase Option, and the shareholders' agreement entered into between the Company, RaffAello Holdings and RS (BVI), be terminated with effect from the completion date (i.e. the Termination). Details of the Settlement Deed, the Equity Disposal, the Share Buy-back and the Termination were disclosed in the announcements of the Company dated 16 June 2022 and 17 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS *(Continued)*

Accordingly, the carrying values of the investment in an associate and the Put and Repurchase Option (which was previously included in financial assets at fair value through profit or loss) as at 31 March 2022 have been reclassified as assets classified as held for sale as at 30 June 2022.

As at the date of this announcement, the completion of the Settlement Deed, the Equity Disposal, the Share Buy-back and the Termination have not yet been taken place.

Based on the audited financial statements of RSL for the year ended 31 March 2022, the audited profit before and after tax of RSL for the year ended 31 March 2022 was approximately HK\$602,000, which fell behind the Guaranteed Profit, and the Profit Guarantee was not met.

MATERIAL ACQUISITIONS OR DISPOSALS

Except for the Equity Disposal as disclosed in Note 12 to the unaudited condensed consolidated financial statements, the Group did not have any other material acquisition or disposal of subsidiaries and affiliated companies for the Current Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at the date of this announcement, there was no plan authorised by the Board for any material investments or additions of capital assets.

COMMITMENTS

The Group did not have any capital commitments as at 30 June 2022 (31 December 2021: Nil).

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2022 (31 December 2021: Nil.)

EVENT AFTER THE REPORTING PERIOD

Subsequent to 30 June 2022 and up to the date of this announcement, there was no other significant event relevant to the business or financial performance of the Group that came to the attention of the Directors.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 June 2022, the interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”) held by the Directors and chief executives of the Company (the “Chief Executives”) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

(i) Long position in the shares and underlying shares of the Company

Name of Director	Capacity/ Nature of interests	Number of shares held	Number of underlying shares held (Note 2)	Total	Approximate percentage of shareholding (Note 3)
Mr. Pan	Interest of a controlled corporation/ Beneficial owner	532,685,000 (Note 1)	8,000,000	540,685,000	45.32%
Mr. Kwan	Beneficial owner	–	8,000,000	8,000,000	0.67%

Notes:

1. These 532,685,000 shares are held by Autumn Ocean Limited which is wholly owned by Mr. Pan and hence, Mr. Pan is deemed, or taken to be, interested in all the shares held by Autumn Ocean Limited for the purposes of the SFO.
2. Each of Mr. Pan and Mr. Kwan, the executive Directors, was granted on 4 January 2021 8,000,000 share options under the Scheme at an exercise price of HK\$0.096 per share with a validity period of five years from the date of grant. All the share options were immediately vested at the date of grant.
3. The percentage is calculated on the basis of 1,193,000,000 shares of the Company in issue as at 30 June 2022.

(ii) Long position in the shares and/or underlying shares of the Company’s associated corporation

As at 30 June 2022, none of the Directors or Chief Executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or pursuant to section 352 of the SFO, which would have to be recorded in the register referred to therein, or pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, which would have to be notified to the Company and the Stock Exchange.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors and the Chief Executives are aware, as at 30 June 2022, other than the Directors and Chief Executives, the following persons had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or which would be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Long position in the shares and underlying shares of the Company

Names	Capacity/ Nature of interests	Number of shares held/ interested in	Number of underlying shares held	Total	Approximate percentage of shareholding (Note 3)
Ms. Liu Ming Lai Lorna (Note 1)	Interest of spouse	532,685,000	8,000,000	540,685,000	45.32%
Autumn Ocean Limited	Beneficial interest	532,685,000	–	532,685,000	44.65%
Mr. Tsang Kin Hung ("Mr. Tsang") (Note 2)	Interest of a controlled corporation	233,000,000	–	233,000,000	19.53%
Ms. Qin Siu Kiu Michelle ("Mrs. Tsang") (Note 2)	Interest of a controlled corporation	233,000,000	–	233,000,000	19.53%
Captain Expert Limited (Note 2)	Interest of a controlled corporation	233,000,000	–	233,000,000	19.53%
RaffAello Holdings	Beneficial interest	233,000,000	–	233,000,000	19.53%

Notes:

- Ms. Liu Ming Lai Lorna is the spouse of Mr. Pan. She is deemed, or taken to be, interested in all the shares and underlying shares in which Mr. Pan is interested for the purposes of the SFO.
- These 233,000,000 shares are held by RaffAello Holdings which is wholly-owned by Captain Expert Limited, which in turn is owned as to 70% by Mr. Tsang and 30% by Mrs. Tsang, who is the spouse of Mr. Tsang. Hence, Captain Expert Limited and Mrs. Tsang is deemed, or taken to be, interested in all the Shares held by RaffAello Holdings for the purposes of the SFO.
- The percentage is calculated on the basis of 1,193,000,000 shares of the Company in issue as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, the Directors were not aware of any person or corporation (other than the Directors and the Chief Executives) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

OTHER INFORMATION

SHARE OPTION SCHEME

A share option scheme (the “Scheme”) was adopted by the shareholders of the Company on 23 June 2016. Unless otherwise cancelled or amended, the Scheme will remain in force for a period of 10 years. Under the Scheme, the Board shall be entitled to grant a share option to any eligible participant whom the Board may select at its absolute discretion.

80,000,000 share options were granted by the Company to 11 eligible participants on 4 January 2021 with a validity period of five years from the date of grant and immediately vested at the date of grant, which entitle the holders of the share options to subscribe for shares at an exercise price of HK\$0.096 per share. The closing price of the shares of the Company immediately before the date on which share options were granted was HK\$0.101 per share.

Details of the movements of share options during the Current Period are set out below:

	Outstanding at 1 January 2022	Number of share options granted	Number of share options exercised	Number of share options lapsed	Outstanding at 30 June 2022
Directors and Chief Executives					
Mr. Pan	8,000,000	–	–	–	8,000,000
Mr. Kwan	8,000,000	–	–	–	8,000,000
Others					
Employees	32,000,000	–	–	(4,000,000)	28,000,000
Clients and business partners	24,000,000	–	–	–	24,000,000
Total	72,000,000	–	–	(4,000,000)	68,000,000

During the Current Period, 4,000,000 share options were lapsed due to the departure of an employee in December 2021.

OTHER INFORMATION

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS" in this announcement, at no time during the Current Period and as at 30 June 2022 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and Chief Executives (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or any of its associated corporation.

COMPETING INTERESTS

As at 30 June 2022, each of Mr. Tsang, Mrs. Tsang and RaffAello Holdings were interested in the following companies which compete or may compete, either directly or indirectly, with the business of the Company: (i) Captain Expert Limited (an investment holding company); (ii) RaffAello Holdings (an investment holding company); (iii) RaffAello Investment Management (HK) Limited (a corporation licensed to carry out Type 9 (asset management) regulated activity under the SFO); (iv) RC (BVI) Holdings Limited (an investment holding company); (v) RaffAello Capital Limited (a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO); (vi) RS (BVI) (an investment holding company and an associate company of the Company on or after 30 September 2021); and (vii) RaffAello Securities (HK) Limited (a corporation licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO).

Save as disclosed above, none of the Directors, the substantial shareholders of the Company nor their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group during the Current Period.

OTHER INFORMATION

NON-COMPETITION UNDERTAKINGS

Confirmation from Mr. Pan and Autumn Ocean Limited

The Company received from Mr. Pan and Autumn Ocean Limited a confirmation in April 2022 and July 2022 on their compliance of the non-competition undertaking (“**Pan’s Undertaking**”) under the deed of non-competition dated 23 June 2016 given by them in favour of the Company (the “**Pan’s Deed of Non-Competition**”) for the respective period from 1 January 2022 to 31 March 2022 and 1 April 2022 to 30 June 2022 respectively. The audit committee of the Company (the “**Audit Committee**”), being all the independent non-executive Directors, reviewed the compliance of Pan’s Undertaking and evaluated the effectiveness of the implementation of the Pan’s Deed of Non-competition, and were satisfied that Mr. Pan and Autumn Ocean Limited have complied with Pan’s Undertaking during the Current Period.

Confirmation from Mr. Tsang

The Company received from Mr. Tsang a confirmation in April 2022 and July 2022 on his compliance of the non-competition undertaking (“**Tsang’s Undertaking**”) under the deed of non-competition dated 30 September 2021 given by him in favour of the Company (the “**Tsang’s Deed of Non-Competition**”) for the respective period from 1 January 2022 to 31 March 2022 and 1 April 2022 to 30 June 2022 respectively. The Audit Committee, being all the independent non-executive Directors, reviewed the compliance of Tsang’s Undertaking and evaluated the effectiveness of the implementation of the Tsang’s Deed of Non-competition, and were satisfied that Mr. Tsang has complied with Tsang’s Undertaking during the Current Period.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Director’s securities transaction. Having made specific enquiries with all Directors, all of them confirmed that they have complied with the required standard of dealings and its code of conduct throughout the Current Period. The Company has not been notified of any incident of non-compliance during the Current Period.

SHARE CAPITAL

The Company did not issue any equity securities (including securities convertible into equity securities) for cash during the Current Period as set out in Rule 18.32 of the GEM Listing Rules. Details of movements in the share capital of the Company during the Current Period are set out in Note 14 to the unaudited condensed consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Current Period.

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the "CG Code").

During the Current Period, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code, save for the deviation from the code provision C.2.1 as explained below.

Pursuant to C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Given the current corporate structure, there is no separation between the roles of the chairman and the chief executive officer. Since May 2007, Mr. Pan has been managing the Group's business and supervising the overall operations of the Group. The Directors believe that the vesting of the roles of chairman of the Board and chief executive officer in Mr. Pan is beneficial to the business operations and management of the Group and will provide a strong and consistent leadership to the Group. Accordingly, the Company has not segregated the roles of the chairman and the chief executive officer as required by C.2.1 of the CG Code.

DISCLOSURES UNDER RULES 17.22 TO 17.24 OF THE GEM LISTING RULES

As at 30 June 2022, the Group had no circumstances which would give rise to a disclosure obligation under Rules 17.22 to 17.24 of the GEM Listing Rules.

THE BOARD

Effective from 16 June 2022, Mr. Tsang resigned as an executive Director and the vice chairman of the Company. The Board currently consists of six members including three executive Directors (being Mr. Pan, Mr. Kwan and Ms. Yu Hoi Ling) and three independent non-executive Directors (being Mr. Lau Hon Kee, Mr. Sum Loong and Ms. Yue Chung Sze Joyce). In compliance with Rules 5.05(1)&(2) and Rule 5.05A of the GEM Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise. The Board is of the view that the Board comprises members with diversified background and industry expertise to oversee and operate the Company efficiently and safeguard the interests of various stakeholders of the Company.

OTHER INFORMATION

CHANGES IN THE INFORMATION OF DIRECTORS

The followings set out the changes in the information of the Directors that are subject to disclosure pursuant to Rule 17.50A(1) of the GEM Listing Rules during the Current Period:

- (1) with effect from 1 January 2022, the monthly remuneration of Mr. Pan, the chairman of the Board, an executive Director and the chief executive officer of the Group, has been increased to HK\$230,000;
- (2) with effect from 1 January 2022, the monthly remuneration of Mr. Kwan, an executive Director, has been increased to HK\$160,000; and
- (3) with effect from 14 July 2022, the monthly remuneration of Mr. Lau Hon Kee, an independent non-executive Director, has been increased to HK\$12,000.

All the above increments have been reviewed and approved by the remuneration committee of the Company and the Board respectively.

AUDIT COMMITTEE

The chairman of the Audit Committee is Mr. Lau Hon Kee, being an independent non-executive Director, and other members include Mr. Sum Loong and Ms. Yue Chung Sze Joyce, both being independent non-executive Directors.

The primary duties of the Audit Committee are to (i) review and monitor the Company's external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; (ii) monitor integrity of the Company's financial statements and the annual report and accounts, half-year report and quarterly reports, and review significant financial reporting judgements contained in them; and (iii) review the Company's financial reporting, financial controls, risk management and internal control systems.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise.

The Audit Committee had reviewed the unaudited condensed consolidated interim results of the Group for the Current Period and is of the opinion that such results have complied with applicable accounting standards and GEM Listing Rules and that adequate disclosures have been made.

FURTHER INFORMATION ABOUT IMPAIRMENT LOSS ON INVESTMENT IN AN ASSOCIATE

As disclosed in the announcement of the Company dated 25 March 2022 in relation to its annual results for the year ended 31 December 2021 (“**FY2021**”) and the annual report (the “**2021 Annual Report**”) of the Company for FY2021 published on 30 March 2022, the Company recognised an impairment loss on investment in an associate (the “**Investment in Associate Impairment**”) of approximately HK\$14.7 million for FY2021. The Board would like to provide further information in relation to the Investment in Associate Impairment.

Reasons for and circumstances leading to the recognition of the Investment in Associate Impairment

Following the completion of the Acquisition on 30 September 2021, RS (BVI) has been accounted for as an associate company of the Company. The Company has, from time to time, been reviewing the financial performance of RSL and enquiring the status of the project pipeline of RSL, including five previously-engaged underwriting projects as disclosed in the Acquisition Circular and other potential projects under negotiation. In late January 2022, the Company obtained the unaudited management account of RSL for the nine months ended 31 December 2021, and noted therefrom that RSL merely recorded profit attributable to owners of the company of approximately HK\$1.1 million for the nine months ended 31 December 2021, which fell behind the Guaranteed Profit of HK\$15.5 million. Mr. Tsang, being the director of RSL, advised that after 2021, the project pipeline of RSL were continuously impacted by the unfavorable operating environment as a result of the development of the fifth wave of COVID-19 in Hong Kong and hence, the five previously-engaged underwriting projects and other potential projects were all delayed.

Furthermore, due to the uncertainties in the global economy in recent years and the fifth wave of coronavirus pandemic outbreak in Hong Kong in the first quarter of 2022, the global and Hong Kong stock markets faced continuous risks and uncertainties. According to the HKEX Securities and Derivatives Markets Quarterly Report, the number of newly listed companies in Hong Kong decreased to 24 in the fourth quarter of 2021 (“**4Q2021**”) and 16 in the first quarter of 2022 (“**1Q2022**”), as compared to 47 in the fourth quarter of 2020 (“**4Q2020**”) and 32 in the first quarter of 2021 (“**1Q2021**”), respectively. The total fund-raising size also dropped significantly by approximately 75.3% in 4Q2021 and approximately 89.1% in 1Q2022 as compared to that in 4Q2020 and 1Q2021, respectively. The project pipeline of RSL, including the five previously-engaged underwriting projects and other potential projects, were also inevitably impacted by the unfavorable operating environment.

FURTHER INFORMATION ABOUT IMPAIRMENT LOSS ON INVESTMENT IN AN ASSOCIATE

Reasons for and circumstances leading to the recognition of the Investment in Associate Impairment (Continued)

As mentioned in the Acquisition Circular, the total expected revenue under the profit forecast of RSL for the year ended 31 March 2022 comprises (i) the underwriting commission income expected to be generated from the engagements sponsored by RCL (the “**RCL Driven Revenue**”); and (ii) the placing/underwriting commission expected to be generated from the engagements secured by RSL (the “**Other Placing/Underwriting Commission**”). As at the date of the Sale and Purchase Agreement, listing applications of four IPO exercises have been submitted to the Stock Exchange by RCL. Prior to the date of the Acquisition Circular, RCL also participated in one fund-raising exercise. However, as mentioned above, these five underwriting projects and other potential projects were all delayed due to the unfavorable operating environment and could not be completed by end of 2021. Therefore, RSL did not recognise any RCL Driven Revenue and Other Placing/Underwriting Commission during the period from the date of Completion (i.e. 30 September 2021) to 31 December 2021, and RSL’s actual profit for the nine months ended 31 December 2021 fell behind the Guaranteed Profits of HK\$15.5 million.

Based on the information above, the management of the Group concluded that there was indication for the Investment in Associate Impairment. In early February 2022, the Group engaged an independent professional valuer, namely Valplus Consulting Limited (“**Valplus**”), to conduct the valuation of 25% equity interests in RS (BVI) (together with RSL, the “**RS Group**”) as at 31 December 2021 (the “**Valuation for Impairment Test**”) for the purpose of the impairment assessment on the investment in the associate. In late March 2022 (immediately prior to the publication of the announcement of the Company dated 22 March 2022 regarding the update on profit warning), the management of the Group obtained the results of the Valuation for Impairment Test from Valplus. The impairment test was then performed by the Board by comparing the recoverable amount determined by a value-in-use calculation, with the carrying amount of the investment in the associate as at 31 December 2021. Based on the results of the assessment, the management of the Group determined that the recoverable amount of the investment in an associate was lower than the carrying amount and, therefore, an impairment loss of approximately HK\$14.7 million had to be recognised during FY2021.

The Directors confirmed that they were not aware of any reasons and/or factors which would lead to the recognition of the Investment in Associate Impairment at the time of the Acquisition. For further details of the Investment in Associate Impairment, please refer to Note 17 to the consolidated financial statements of the Group as contained in the 2021 Annual Report.

FURTHER INFORMATION ABOUT IMPAIRMENT LOSS ON INVESTMENT IN AN ASSOCIATE

Details of the Investment in Associate Impairment

The Board conducted the impairment testing of the investment in an associate with reference to the Valuation for Impairment Test, which was based on discounted cash flows method under income approach and was performed by Valplus, an independent professional valuer with recognised qualifications and experience.

The cash flows projections for the four-year period was prepared and approved by the management of RSL on the basis of (i) the historical track record of the RS Group; and (ii) the IPO projects pipeline and placing engagements for the four years ending 31 December 2025 projected by the RS Group with reference to (a) the number of ongoing and potential IPO exercises and their respective expected timetable; (b) the expected placing/underwriting commission to be generated from the ongoing and potential IPO exercises; (c) the historical placing/underwriting commission rate of the RS Group; (d) the historical fund-raising size from IPO and secondary placing of shares in the Hong Kong stock market; and (e) the track record of new listing applications in the Hong Kong stock market; and (iii) the operating costs for the four years ending 31 December 2025 projected by the RS Group with reference to (a) the historical operating costs of the RS Group; and (b) the estimated annual growth rate of 3%, which was determined based on historical GDP and inflation rate in Hong Kong as sourced from public database.

The projected future cash flows were discounted to the present value at an appropriate discount rate reflecting the specific risks of the investment in an associate. The pre-tax discount rate applied in the calculation is 12.20%, which was derived from weighted average cost of capital (“WACC”) by making reference to a group of industry comparables. The growth rate used to extrapolate the cash flows beyond the four-year period was 3%, which was determined based on historical GDP and inflation rate in Hong Kong as sourced from public database and was consistent with the general forecast of the economy.

Valplus has adopted the following assumptions in arriving at the Valuation for Impairment Test:

- (i) The RS Group is assumed to have no contingent assets and liabilities or any other off-balance sheet items which should be recognised or valued attributable to the RS Group;
- (ii) To continue as a going concern, the RS Group will successfully carry out all necessary activities for the development of its business;
- (iii) The contractual parties of relevant agreements will act in accordance with the terms and conditions of the agreements and understandings between the parties and will be renewable upon expiry, if applicable;
- (iv) The audited/unaudited financial information relating to the RS Group as supplied to Valplus have been prepared in a manner which truly and accurately reflect the financial position relating to the RS Group as at the respective balance sheet dates;
- (v) The availability of financing will not be a constraint on the forecast growth of the RS Group’s operations;

FURTHER INFORMATION ABOUT IMPAIRMENT LOSS ON INVESTMENT IN AN ASSOCIATE

Details of the Investment in Associate Impairment *(Continued)*

- (vi) Market trends and conditions where the RS Group operates will not deviate significantly from the economic forecasts in general;
- (vii) Key management, competent personnel and technical staff will all be retained to support ongoing operations of the RS Group;
- (viii) There will be no material changes in the business strategy of the RS Group and its expected operating structure;
- (ix) Interest rates and exchange rates in the localities for the operations of the RS Group will not differ materially from those presently prevailing;
- (x) All relevant consents, business certificates, licenses or other legislative or administrative approvals from any local, provincial or national government, or private entity or organization required to operate in the localities where the RS Group operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and
- (xi) There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the RS Group operates or intends to operate, which would adversely affect the revenues and profits attributable to the RS Group.

All the assumptions adopted in the Valuation for Impairment Test are considered to be general and commonly adopted that are in line with market practice and no special nor critical assumptions have been applied.

Based on the Valuation for Impairment Test, the Board and the Audit Committee consider that the Investment in Associate Impairment is fair and reasonable as (i) the methodology and assumptions adopted by Valplus is adequate and appropriate for impairment assessment purpose under the relevant accounting standard; (ii) the principal parameters adopted for the Valuation for Impairment Test are well-supported by the historical data of the RS Group and prevailing market information regarding the Hong Kong stock market; (iii) the financial performance of the RS Group in 2021 was unsatisfactory; and (iv) there are uncertainties associated with the ongoing IPO exercises given the underperformance of the Hong Kong stock market and extensive supervision and regulatory control over the new listing applications.

FURTHER INFORMATION ABOUT IMPAIRMENT LOSS ON INVESTMENT IN AN ASSOCIATE

Reasons for the change in the valuation methodology from market approach used in the Acquisition Valuation to income approach used in the Valuation for Impairment Test

Acquisition Valuation

As mentioned in the Acquisition Circular, the Group engaged Malcolm & Associates Appraisal Limited (“**Malcolm & Associates**”) to conduct the valuation in respect the valuation of 25% equity interests in RSL as at 30 June 2021 for the purpose of determining the consideration of the Acquisition. According to the Acquisition Valuation Report prepared by Malcolm & Associates for the valuation of 25% equity interests in RSL as at 30 June 2021 (the “**Acquisition Valuation**”), Malcolm & Associates has considered the three generally accepted approaches, namely market approach, cost approach and income approach, to assess the market value of 25% equity interests in RSL. Malcolm & Associates considered that the cost approach was not appropriate because (i) cost approach does not directly incorporate information about the economic benefits contributed by the subject asset and ignores the profitability and growth potential of business; and (ii) RSL, as a securities service company, is asset-light in nature. The income approach was also considered to be inappropriate given that (i) income approach heavily relies on subjective assumptions to which the valuation is highly sensitive and detailed operational information and long-term financial projection are needed to arrive at an indication of value; and (ii) the long-term financial projections could not be reliably estimated with sufficient information due to the unpredictability on the long-term IPO and underwriting projects pipeline engaged by RSL. For the market approach, Malcolm & Associates considered that it is the most direct valuation approach which reflects the value obtained as a result of a consensus of what others in the market place have judged it to be. Therefore, Malcolm & Associates considered that the market approach is the most appropriate valuation approach in the Acquisition Valuation and had adopted the market approach for their appraisal on the value of 25% equity interests in RSL.

FURTHER INFORMATION ABOUT IMPAIRMENT LOSS ON INVESTMENT IN AN ASSOCIATE

Reasons for the change in the valuation methodology from market approach used in the Acquisition Valuation to income approach used in the Valuation for Impairment Test *(Continued)*

Acquisition Valuation (Continued)

According to the valuation report in relation to the Acquisition Valuation, the forward Guaranteed Profits of HK\$15.5 million was adopted in appraising RSL under the market approach. As advised by the Vendor, as at the date of the Acquisition Valuation (i.e. 30 June 2021), RSL was expected to act as an underwriter of (i) one fund-raising exercise which was in the preparation stage; and (ii) four initial public offering exercises, of which listing applications were submitted to the Stock Exchange. Taking into account the strong projects pipeline in respect of the IPO projects sponsored by RCL, the Board considered that there would be improvement in the placing and underwriting business of RSL as compared to that in the previous year, and believed that the Guaranteed Profits, which was determined under due and careful consideration and after arm's length negotiations between the Company and the Vendor with reference to the forecasted profits of RSL for the year ended 31 March 2022, would be met by RSL in the Guaranteed Period. Historical earnings of RSL for the year ended 31 March 2021 or the latest twelve months might not fully capture the earning capabilities of RSL as they did not reflect the economic benefits of the projects on hand that were already engaged and under progress as at the date of the Acquisition Valuation. Therefore, the Board concurred with the view of Malcolm & Associates that the adoption of the forward Guaranteed Profits for the Acquisition Valuation would better reflect the earning capability of RSL having considered the project pipeline, and that the adoption of 2022 forward Guaranteed Profits in assessing the market value of RSL is fair and reasonable.

Based on the discussion with Malcolm & Associates and the review on the valuation report in relation to the Acquisition Valuation, the Directors concurred with the view of Malcolm & Associates that the valuation methodology adopted in the Acquisition Valuation is fair and reasonable to establish the fair market value of 25% equity interests in RSL, and the bases and assumptions for the Acquisition Valuation are fair and reasonable.

FURTHER INFORMATION ABOUT IMPAIRMENT LOSS ON INVESTMENT IN AN ASSOCIATE

Reasons for the change in the valuation methodology from market approach used in the Acquisition Valuation to income approach used in the Valuation for Impairment Test *(Continued)*

Valuation for Impairment Test

In early February 2022, the Group engaged Valplus to conduct the Valuation for Impairment Test in relation to 25% equity interests in RS (BVI) as at 31 December 2021 for the purpose of the impairment assessment on the investment in the associate. According to HKAS 36, an impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, where recoverable amount of an asset or a cash-generating unit is the higher of (a) its fair value less costs of disposal and (b) its value in use.

According to HKAS 36, value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit which conforms with income approach that focusing on future economic benefits generated by the income producing capability of a business. Therefore, the income approach was adopted in accordance with HKAS 36 for the assessment of the recoverable amount of 25% equity interests in RS (BVI) for the purpose of the impairment assessment.

In valuing the 25% equity interests in RS (BVI), Valplus has considered the three generally accepted approaches, namely market approach, cost approach and income approach, to assess the market value of 25% equity interests in RS (BVI) as at 31 December 2021. With the same view as Malcolm & Associates, Valplus considered that the cost approach was not appropriate as RSL is a securities service company, which is asset-light in nature. In principal, since there were comparable companies available for comparison, Valplus agreed that market approach was applicable for appraising the 25% equity interests in RS (BVI) based on trailing 12-month or forward 12-month financial result. However, as mentioned in the 2021 Annual Report, the progress of the project pipeline of RSL were delayed as a result of the continual impact of COVID-19. RSL merely recorded profit attributable to owners of the company of approximately HK\$1.1 million for the nine months ended 31 December 2021, which might not truly reflect the profitability of RSL under normal circumstance. Furthermore, as the unaudited profit attributable to owners of RSL for the nine months ended 31 December 2021 fell behind the Guaranteed Profits of HK\$15.5 million and it was believed that the probability of the fulfillment of the Guaranteed Profits is low, Valplus considered that it was not appropriate to use the forward Guaranteed Profits of HK\$15.5 million in appraising RS (BVI) under the market approach as the Acquisition Valuation did. Accordingly, the market approach was also considered to be inappropriate. Notwithstanding that the income approach relies on subjective assumptions to which the valuation is highly sensitive and detailed operational information and long-term financial projected are needed to arrive at an indication of value, the income approach was considered to be the most appropriate valuation methodology used for appraising 25% equity interests in RS (BVI) in view of (i) the purpose of impairment assessment; and (ii) the aforementioned limitations of cost approach and market approach.

FURTHER INFORMATION ABOUT IMPAIRMENT LOSS ON INVESTMENT IN AN ASSOCIATE

Reasons for the change in the valuation methodology from market approach used in the Acquisition Valuation to income approach used in the Valuation for Impairment Test (*Continued*)

Valuation for Impairment Test (*Continued*)

Based on the valuation performed by Valplus, the impairment test was then performed by comparing the recoverable amount of 25% equity interests in RS (BVI) with the carrying amount of the investment in the associate as at 31 December 2021. Details of the impairment assessment of investment in an associate are set out in Note 17 to the consolidated financial statements as contained in the 2021 Annual Report.

Based on the discussion with Valplus and the review on the valuation report in respect of the Valuation for Impairment Test, as well as the discussion with the Company's auditors regarding the accounting standard for impairment testing, the Directors concurred with the view of Valplus that the valuation methodology adopted in the Valuation for Impairment Test (i.e. income approach) is fair and reasonable. Therefore, the Directors were of the opinion that the change in the valuation method (i.e. from market approach used in the Acquisition Valuation to income approach used in the Valuation for Impairment Test) is appropriate.

CLARIFICATION

The Board would like to clarify that due to an inadvertent clerical error, the pre-tax discount rate as disclosed under the paragraph headed "Impairment assessment of investment in an associate" in Note 17 to the consolidated financial statements of the Group as contained in the 2021 Annual Report should be 12.20% instead of 10.56%.

Save as disclosed above, all other information contained in the 2021 Annual Report remains unchanged.

By order of the Board of
RaffAello-Astrum Financial Holdings Limited
Pan Chik
Chairman and Chief Executive Officer

Hong Kong, 8 August 2022

As at the date of this announcement, the Directors are:

Executive Directors

Mr. Pan Chik (Chairman and Chief Executive Officer)

Mr. Kwan Chun Yee Hidulf

Ms. Yu Hoi Ling

Independent Non-executive Directors

Mr. Sum Loong

Mr. Lau Hon Kee

Ms. Yue Chung Sze Joyce