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GOLDSTONE INVESTMENT GROUP LIMITED

金石投資集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 901)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

INTERIM RESULTS

The board of Directors (the “**Board**”) of Goldstone Investment Group Limited 金石投資集團有限公司 (the “**Company**”) announces that the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”), which have been reviewed by the Company’s audit committee, are as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2022

		(Unaudited)	
		For the six months	
		ended 30 June	
		2022	2021
	<i>Notes</i>	HK\$	HK\$
Revenue	(4)	–	–
Net gain (loss) on financial assets at fair value through profit or loss	(5)	2,813,008	(2,450,036)
Net other income, gains and losses	(4)	65,247	76,564
Administrative and other operating expenses		<u>(5,451,870)</u>	<u>(8,147,915)</u>
Loss from operations	(6)	(2,573,615)	(10,521,387)
Finance costs	(7)	<u>(6,245,775)</u>	<u>(5,955,932)</u>
Loss before tax		(8,819,390)	(16,477,319)
Income tax expense	(8)	<u>–</u>	<u>–</u>
Loss for the period and total comprehensive expenses attributable to owners of the Company		<u>(8,819,390)</u>	<u>(16,477,319)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
Basic and diluted	(10)	<u>(0.41)</u>	<u>(0.85)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		(Unaudited) At 30 June 2022 HK\$	(Audited) At 31 December 2021 HK\$
Non-current assets			
Furniture, fixtures and equipment		–	–
Financial assets at fair value through profit or loss	(11)	4,612,939	4,612,939
		4,612,939	4,612,939
Current assets			
Financial assets at fair value through profit or loss	(11)	109,476,651	106,733,643
Other receivables, deposits and prepayments		283,177	458,835
Cash and bank balances		3,289,723	7,745,057
		113,049,551	114,937,535
Current liabilities			
Creditors and accrued expenses		5,337,634	5,419,533
Unsecured borrowings	(12)	83,451,824	25,891,997
Corporate bonds	(13)	38,647,249	33,718,173
Convertible bonds	(14)	–	53,571,133
Lease liabilities		8,977,622	9,067,741
		136,414,329	127,668,577
Net current liabilities		(23,364,778)	(12,731,042)
Total assets less current liabilities		(18,751,839)	(8,118,103)
Non-current liabilities			
Corporate bonds	(13)	45,582,975	47,397,321
NET LIABILITIES		(64,334,814)	(55,515,424)
Capital and reserves			
Share capital	(15)	27,052,735	27,052,735
Reserves		(91,387,549)	(82,568,159)
CAPITAL DEFICIENCY		(64,334,814)	(55,515,424)
Net liabilities value per share	(10)	(0.0297)	(0.0257)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Interim Financial Information (“**Interim Financial Information**”) have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Interim Financial Information do not include all of the information required for full set of financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021.

Going concern

The Group incurred a net loss of approximately HK\$8,819,000 during the period ended 30 June 2022 and, as of that date, the Group has net current liabilities and net liabilities of approximately HK\$23,365,000 and HK\$64,335,000. In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group. The directors of the Company adopted the going concern basis for the preparation of the condensed consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group.

- (i) In April 2022, the Group and six independent third parties separately entered into a letter of intent whereby they expressed their intentions to subscribe for, and the Company intended to issue and allot ordinary shares in the total amount of approximately HK\$166,000,000;
- (ii) The Group is taking measures to tighten cost control with an aim to attain positive cash flow from operations;
- (iii) In June 2022, the Company has entered into an extension corporate bond agreement to extend the maturity date of Bond II from 17 March 2022 to 17 March 2023 with interest rate changed from 5% to 8% per annum starting from 18 March 2022;
- (iv) In July 2022, the Company has entered into an extension corporate bond agreement to extend the maturity date of Bond III from 15 July 2022 to 15 July 2023 with interest rate changed from 7% to 8% per annum starting from 16 July 2022;
- (v) The Group is in the process of negotiating with its matured convertible bondholders and corporate bondholders to restructure and/or refinance its borrowings, and secure necessary facilities to meet the Group’s working capital and financial requirements in the near future;
- (vi) The Group will seek to obtain additional new financial support including but not limited to borrow loans, issue additional equity or debt securities; and
- (vii) The Group will also seek to redeem some of its investment products as soon as practically feasible while trying to minimize the potential loss of value given the current adverse condition and challenging economic environment.

After taking into account the above measures, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the condensed consolidated financial statements for the Period on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts on a liquidation basis, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these potential adjustments has not been reflected in the condensed consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the Period are consistent with those followed in the Group’s annual financial statements for the year ended 31 December 2021.

Application of new and amendments to HKFRSs

In the Period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Accounting Guideline 5 (revised)	Merger Accounting for Common Control Combinations

The application of these amendments to HKFRSs had no material effect on the Group’s financial performance and positions for the current and prior periods and/or disclosures set out in these unaudited condensed consolidated financial statements.

3. SEGMENT INFORMATION

Business segments

During the periods ended 30 June 2022 and 2021, the Group’s revenue and net loss mainly derived from investment in financial assets at FVTPL. The directors of the Company consider that these activities constitute one business segment since these transactions are subject to common risks and returns. Given the nature of the Group’s operation is investment holdings and trading of financial assets at FVTPL, it is not considered meaningful to provide a business segment analysis of operating loss.

Geographical segments

The Group's segment assets and liabilities which represent furniture, fixtures and equipment, financial assets at FVTPL, unsecured borrowings, convertible bonds and corporate bonds for the period/year, analysed by geographical market, are as follows:

	(Unaudited) At 30 June 2022		Total HK\$
	Singapore HK\$	Hong Kong HK\$	
Segment assets	4,612,939	112,766,374	117,379,313
Unallocated assets			283,177
Total assets			<u>117,662,490</u>
Segment liabilities	–	167,682,048	167,682,048
Unallocated liabilities			14,315,256
Total liabilities			<u>181,997,304</u>
	(Audited) At 31 December 2021		
	Singapore HK\$	Hong Kong HK\$	Total HK\$
Segment assets	4,612,939	114,478,700	119,091,639
Unallocated assets			458,835
Total assets			<u>119,550,474</u>
Segment liabilities	–	160,578,624	160,578,624
Unallocated liabilities			14,487,274
Total liabilities			<u>175,065,898</u>

4. REVENUE AND NET OTHER INCOME, GAINS AND LOSSES

An analysis of revenue and net other income, gains and losses is as follows:

	(Unaudited) For the six months ended 30 June	
	2022 HK\$	2021 HK\$
Revenue	–	–
Net other income, gains and losses		
Exchange (loss) gain, net	(5)	2,690
Interest income on rental deposit	41,252	73,874
Government subsidies	24,000	–
	<u>65,247</u>	<u>76,564</u>

5. NET GAIN (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	(Unaudited)	
	For the six months ended 30 June	
	2022	2021
	HK\$	HK\$
Unrealised gain (loss) arising on fair value changes of listed equity investments	22,400	(374,528)
Unrealised gain arising on fair value change of unlisted investment fund	2,790,608	681,492
Realised loss arising on redemption of unlisted investment fund	–	(2,757,000)
	<u>2,813,008</u>	<u>(2,450,036)</u>

6. LOSS FROM OPERATIONS

	(Unaudited)	
	For the six months ended 30 June	
	2022	2021
	HK\$	HK\$
Loss from operations has been arrived at after charging (crediting):		
Interest expense of lease liabilities	1,680	276,064
Exchange loss (gain), net	5	(2,690)
Directors' remuneration and staff costs		
– salaries, allowance and other benefits in kind	2,743,333	2,395,444
– contribution to MPF scheme	66,600	56,900
	<u>66,600</u>	<u>56,900</u>

7. FINANCE COSTS

	(Unaudited)	
	For the six months ended 30 June	
	2022	2021
	HK\$	HK\$
Interest on:		
Loans from a licensed money lending company	–	12,287
Loans from third parties	2,364,698	643,485
Late charge on corporate bonds	–	15,090
	<u>2,364,698</u>	<u>670,862</u>
Effective and imputed interest on:		
Corporate bonds (Note 13)	3,439,730	3,255,231
Convertible bonds	439,667	1,753,775
Lease liabilities	1,680	276,064
	<u>3,881,077</u>	<u>5,285,070</u>
	<u>6,245,775</u>	<u>5,955,932</u>

8. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2022 and 2021 as the Group did not have any assessable profits.

9. DIVIDENDS

No dividend was paid, declared or proposed for the Period (six months ended 30 June 2021: HK\$nil).

10. NET LIABILITY VALUE PER SHARE AND LOSS PER SHARE

Net liabilities value per share

The net liability value per share is calculated by dividing the net liabilities included in the condensed consolidated financial position of HK\$64,334,814 (31 December 2021: net liabilities HK\$55,515,424) by the number of ordinary shares of 2,164,218,784 (31 December 2021: 2,164,218,784) in issue as at 30 June 2022.

Loss per share

The calculation of the basic loss per share is based on the loss for the period HK\$8,819,390 (six months ended 30 June 2021: HK\$16,477,319) and the number of ordinary shares of 2,164,218,784 (six months ended 30 June 2021: weighted average number of ordinary share of 1,937,444,757) in issue at the end of the reporting period.

No adjustment was made in calculating diluted loss per share for the six months ended 30 June 2022 and 2021 as the conversion of convertible bonds would result in decrease in loss per share. Accordingly, the diluted loss per share is the same as the basic loss per share.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	(Unaudited) At 30 June 2022 HK\$	(Audited) At 31 December 2021 HK\$
Non-current assets		
Unlisted equity investments in overseas	<u>4,612,939</u>	<u>4,612,939</u>
Current assets		
Listed equity investments	79,744	57,344
Unlisted investment funds	<u>109,396,907</u>	<u>106,676,299</u>
	<u>109,476,651</u>	<u>106,733,643</u>

The Group had the following equity investments:

As at 30 June 2022

Notes	Name of investee company	Place of registration/ incorporation	Number of shares held	Effective shareholding interest	Carrying amount	Additions	Unrealised gain arising on revaluation	Redemption	Exchange loss	Fair value/ market value	Net assets attributable to the investments	Dividend received/ receivable during the year	% of the Group's total assets as at reporting period end attributable to the investment
													HK\$
(a)	E-Com Holdings Pte. Ltd.	Singapore	1,259,607	23.70%	4,612,939	-	-	-	-	4,612,939	5,081,164	-	3.92%
(b)	State Energy Group International Assets Holdings Limited	Bermuda	179,200	less than 1%	57,344	-	22,400	-	-	79,744	69,550	-	0.07%
(c)	HF Multi-Asset Strategy Fund	Cayman Islands	N/A	N/A	106,676,299	2,000,000	2,790,608	(2,070,000)	-	109,396,907	N/A	-	92.97%

As at 31 December 2021

Notes	Name of investee company	Place of registration/ incorporation	Number of shares held	Effective shareholding interest	Carrying amount	Unrealised gain (loss) arising on revaluation	Exchange loss	Fair value/ market value	Net assets attributable to the investments	Dividend received/ receivable during the year	% of the Group's total assets as at reporting period end attributable to the investment
											HK\$
(a)	E-Com Holdings Pte. Ltd.	Singapore	1,259,607	23.70%	4,535,340	194,689	(117,090)	4,612,939	5,081,164	-	3.86%
(b)	State Energy Group International Assets Holdings Limited	Bermuda	179,200	less than 1%	448,000	(390,656)	-	57,344	75,904	-	0.05%
(c)	HF Multi-Asset Strategy Fund	Cayman Islands	N/A	N/A	113,807,564	(7,131,265)	-	106,676,299	N/A	-	89.23%

Notes:

- (a) E-Com Holdings Pte. Ltd. (“E-Com”) is a private company incorporated in Singapore, which is principally engaged in the provision of Chinese e-learning platforms for primary school students in Singapore and other Asian regions. No dividend was declared or received during the year (six months ended 30 June 2021: HK\$Nil).

At the end of the reporting period, the Group held more than 20% of the effective shareholding interest in E-Com. The investment in E-Com was not accounted for as associate as the Group does not have any significant influence over the financial and operating policies in E-Com or participate in the policymaking processes. Accordingly, investment in E-Com has been designated upon initial recognition as a financial asset at FVTPL.

As at 30 June 2022 and 31 December 2021, the carrying amount of the Group’s interest in the shares of E-Com was less than 10% of the total assets of the Group.

- (b) State Energy Group International Assets Holdings Limited (“State En Assets”) (Stock code: 918) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange. It is principally engaged in the sourcing, marketing and selling of garments, and property investments. No dividend was declared or received during the year (six months ended 30 June 2021: HK\$nil).

As at 30 June 2022 and 31 December 2021, the carrying amount of the Group’s interest in the shares of State En Assets was less than 10% of the total assets of the Group.

- (c) On 18 January 2021, the Company entered into an investment agreement with HF Multi-Asset Strategy Fund (the “HF Fund”), an unlisted limited company incorporated in the Cayman Islands, whose voting shares are solely owned, through an intermediary company, by an individual who is independent of the Company and its connected persons. The Company is the sole investor of the HF Fund and subscribed participating shares amounting to HK\$156,500,000 during the year ended 31 December 2021.

As at 30 June 2022, the HF Fund mainly comprised the sub-funds investing in (i) fixed income debt instruments; (ii) private bonds; (iii) listed securities; and (iv) pre-initial public offering SPAC. During the period, the Company did not receive any cash dividend from HF Fund. Its unaudited net assets were approximately HK\$109,397,000 as at 30 June 2022 and its audited net assets value approximately HK\$106,676,000 as at 31 December 2021, the carrying amount of the Group’s interest in HF Fund exceeded 10% of the total assets of the Group.

The fund manager of HF Fund is JZ Asset Management Company Limited (the “Fund Manager”), the Fund Manager is registered under the Securities and Futures Commission to conduct Type 1 (securities trading), Type 4 (advising on securities) and Type 9 (Providing Asset Management) regulated activities, and is a wholly-owned subsidiary of JZ Financial Holdings Group Limited, which employs experienced, qualified and licensed business personnel and senior investment professionals. Most of them have more than 20 years of investment experience and outstanding performance in managing their clients’ investments and daily fund management activities. The founding partner of JZ Financial Holdings Group Limited, Mr. Yen Chanan, has about 20 years of experience in asset management and capital markets. Mr. Yen Chanan was previously an executive director of China Great Wall Assets Management Company Corporation, a wholly state-owned financial enterprise approved by the State Council (with assets under management of more than RMB 800 billion), specializing in non-performing loan acquisition, private equity/public equity and fixed income investment, securities-backed financing, private equity financing, mortgage loans and cross-border merger and acquisition financing, and was responsible for managing the asset management business in China Great Wall Assets Management Company Corporation. Mr. Yen Chanan is well experienced in managing funds including bond investment funds, M&A and restructuring funds and strategic investment funds.

The Fund Manager shall have the discretion to make investments on behalf of the Company and manage such investments based on certain agreed parameters.

- (d) The investments in listed and unlisted equity investment and unlisted investment fund at 30 June 2022 and 31 December 2021 were, upon initial recognition, recognised by the Group as financial assets at FVTPL. Their performances are regularly reviewed by the key management personnel of the Group.

The fair value of unlisted equity investment and HF Fund at 30 June 2022 was assessed by the directors of the Company with reference to the information provided by the investee parties.

The fair value of unlisted equity investment at 31 December 2021 was assessed by the directors of the Company with reference to the professional valuation carried out by Peak Vision Appraisals Limited, an independent qualified professional valuer.

The HF Fund's net asset value at 31 December 2021 was audited by an independent auditor, Zhonghui Anda CPA Limited. The auditor's opinion was issued on 16 May 2022. The underlying assets which fair value measurement within level 3 of the HF fund was reference to the professional valuation carried out by International Valuation Limited, an independent professional valuer appointed by the HF Fund.

The market value of listed equity investments were determined based on the quoted market bid prices available on the Stock Exchange at 30 June 2022 and 31 December 2021.

12. UNSECURED BORROWINGS

		(Unaudited) At 30 June 2022 HK\$	(Audited) At 31 December 2021 HK\$
	<i>Notes</i>		
– Loans from a director	<i>a</i>	72,269	72,269
– Loans from third parties	<i>b</i>	<u>83,379,555</u>	<u>25,819,728</u>
		<u>83,451,824</u>	<u>25,891,997</u>

Notes:

- (a) Loans from a Director

Including in the loans of HK\$72,269 were obtained from a director, Dr. Xiao Yanming (“**Dr. Xiao**”), on an unsecured basis, bearing fixed interest at 10% per annum and repayable within one year.

- (b) Loans from Third Parties

The loans are due to independent third parties, bearing fixed interest rate in a range of 6% to 16% per annum. The effective interest rate is in a range of 8.78% to 16% per annum.

The amount included HK\$55,504,655 which was reclassified from convertible bonds as the Company did not redeem the convertible bonds at the date of maturity.

13. CORPORATE BONDS

	<i>HK\$</i>
At 1 January 2022 (audited)	76,056,492
Effective interest expenses	5,984,002
Interest paid	<u>(925,000)</u>
At 31 December 2021 and 1 January 2022 (audited)	81,115,494
Repayment	(325,000)
Effective interest expenses (<i>Note 7</i>)	<u>3,439,730</u>
At 30 June 2022 (unaudited)	<u>84,230,224</u>
Current portion	38,647,249
Non-current portion	<u>45,582,975</u>
	<u>84,230,224</u>
At 31 December 2021 (audited)	
Current portion	33,718,173
Non-current portion	<u>47,397,321</u>
	<u>81,115,494</u>

The effective interest rate of the bonds are in a range of 6.99% to 21.58% per annum.

14. CONVERTIBLE BONDS, UNSECURED

Convertible bonds with principal amount of HK\$50,010,000 with conversion price of HK\$0.30 was issued by the Company to the six subscribers on 22 January 2021. The convertible bonds are denominated in Hong Kong dollars. The net proceeds from issuing the convertible bonds of approximately HK\$49,510,000.

It entitled the holders to convert into ordinary shares of the Company at any time after the date of issue and up to and including the 14th day immediately preceding the maturity date, which is on the first anniversary of the date of issue of convertible bonds. If the convertible bonds have not been converted, it will be redeemed on maturity date at the entire principal amount with accrued and unpaid interest. None of the convertible bonds is converted as at the reporting date. The convertible bonds bear interest at the coupon rate of 8% per annum.

At initial recognition, the equity component of the convertible bonds was separated from the liability component. The equity element is presented in equity heading convertible bonds equity reserve. The effective interest rate of the liability component is 16%.

The Company did not redeem the convertible bonds at date of maturity 21 January 2022. The balance of convertible bonds was reclassified to unsecured borrowings.

The carrying amounts of above-mentioned convertible bonds recognised at the end of the reporting period were calculated as follows:

	<i>HK\$</i>
Equity component	
Fair value at the date of issuance	3,120,000
Liability component	
At the date of issuance	46,389,900
Effective interest expenses charged to consolidated statement of profit or loss	7,181,233
At 31 December 2021 (audited)	53,571,133
Effective interest expenses charged to consolidated statement of profit or loss	439,667
Expiration during the period	(54,010,800)
At 30 June 2022 (unaudited)	–

15. SHARE CAPITAL

	Number of ordinary shares of HK\$0.0125 each	<i>HK\$</i>
Authorised:		
At 1 January 2021, 31 December 2021, 1 January 2022, and 30 June 2022	80,000,000,000	1,000,000,000
Issued and fully paid:		
At 1 January 2021	1,803,558,784	22,544,485
Placing of new shares (<i>Note</i>)	360,660,000	4,508,250
At 31 December 2021, 1 January 2022 and 30 June 2022	2,164,218,784	27,052,735

Note: On 4 January 2021 and 25 February 2021, a total of 90,140,000 and 270,520,000 ordinary shares have been issued at HK\$0.28 and HK\$0.33 per placing share pursuant to the terms and conditions of the placing agreement under general mandate. Net proceeds of approximately HK\$24.4 million and HK\$88.4 million have been raised through the placing.

16. RELATED PARTY DISCLOSURES

(a) Transactions

The Group had the following significant related party transactions during the Period which were carried out in the normal course of the Group's business:

Name of related party	Nature of transaction	(Unaudited)	
		For the six months ended 30 June	
		2022	2021
		HK\$	HK\$
Evergrande Securities (Hong Kong) Limited	Investment management fee	180,000	180,000
Dragon Synergy Holdings Limited (substantial shareholder)	Finance costs – Effective interest and borrowings interest	87,896	287,766
		<u> </u>	<u> </u>

(b) Balances

Name of related party	Nature of balance	(Unaudited)	(Audited)
		At 30 June 2022	At 31 December 2021
		HK\$	HK\$
Dr. Xiao	Loan interest incurred and other payables due to a director	(72,269)	(72,269)
Dragon Synergy Holdings Limited	Unsecured borrowings	2,234,597	2,146,701
		<u> </u>	<u> </u>

17. PLEDGE OF ASSETS

No margin facility from a regulated securities broker was granted to the Group under which financial assets at FVTPL with market value of HK\$79,744 and HK\$57,344 were pledged as collateral as at 30 June 2022 and 31 December 2021 respectively.

18. LITIGATIONS

On 22 February 2022, the Company received a winding-up petition filed by a holder of the Convertible Bonds (the "Convertible Bonds") to the Court of First Instance of the High Court of the Hong Kong for the winding-up of the Company in relation to, pursuant to the Convertible Bonds, an alleged outstanding debt in the sum of HK\$43,195,680, being the alleged outstanding principal amounts of the Convertible Bonds in the sum of HK\$39,996,000 and the alleged interest accrued thereon in the sum of HK\$3,199,680 up to 21 January 2022 ("Maturity Date") and, a further interest, calculated at 8% per annum on a 365-day basis until payment in full, following from the Maturity Date. The hearing of the winding-up petition is scheduled on 17 February 2023.

The directors of the Company are of the view that the litigations have no significant impact on the Group's financial position and its operating result for the period ended 30 June 2022 as the alleged outstanding principal and interest amounts of the Convertible Bonds have already been recorded in the consolidated financial statements as at 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Goldstone Investment Group Limited is an investment holding company. The Company's investment instruments are to be made in the form of investment fund or equity securities or equity-related securities or debt related instruments in listed and unlisted companies. The investments normally are to be made in enterprises which are established within their respective fields. The Company may also subscribe for the funds mainly includes equity investment funds, hedge funds, quantitative funds, index funds, securities and futures investment funds, Pre-IPO cornerstone funds, strategic investment and M&A funds, digital currency funds, art investment funds and gold funds.

During the current interim period, the Company invested the investments in unlisted investment funds of fixed income debt instruments, private bonds, pre IPO SPAC. The Company also continued its investments in both listed and unlisted equity securities and other related financial assets. As at 30 June 2022, the Company's investment portfolio was diversified across different business sectors including education, investment in equity and debt securities.

At the end of the reporting period, the Company's investment performances included net unrealised gain arising on fair value changes of listed equity investments and unlisted investment fund was approximately HK\$2,813,000 (2021 interim: unrealised gain approximately HK\$307,000 and realised loss approximately HK\$2,757,000).

FINANCIAL REVIEW

The net loss attributable to owners of the Company was approximately HK\$8,819,000, a decrease of approximately HK\$7,658,000 from the loss of approximately HK\$16,477,000 in the last interim financial period.

The decrease in loss position was mainly attributable to the increase in net gain on financial assets at fair value through profit or loss of approximately HK\$5,263,000, decrease in net other income, gains and loss HK\$11,000, the decrease in administrative cost of approximately HK\$2,696,000 and increase in finance costs of approximately HK\$290,000 respectively.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2022, the Group has cash and cash equivalents of approximately HK\$3,290,000 (year ended 31 December 2021: approximately HK\$7,745,000). The cash was deposited with banks in Hong Kong and mainly denominated in Hong Kong dollars. As at 30 June 2022 the consolidated net liabilities value of the Group was approximately HK\$64,335,000 (year ended 31 December 2021: approximately HK\$55,515,000) with consolidated net liabilities value per share of HK\$0.0297 (year ended 31 December 2021: HK\$0.0257). The Company is fully aware of the financial position and financial performance of the reporting period.

The Group did not have any capital expenditure commitment as at the end of the six months ended 30 June 2022.

The Company has no change in the Group's capital structure during the period under review.

The Board are of the opinion that the Company will have sufficient financial resources to meet its financial obligations as they fall due for at least the next twelve months from the end of the reporting period, after taking into consideration of the following:

1. In April 2022, the Group and six independent third parties separately entered into a letter of intent whereby they expressed their intentions to subscribe for, and the Company intended to issue and allot ordinary shares in the total amount of approximately HK\$166,000,000;
2. The Group is taking measures to tighten cost control with an aim to attain positive cash flow from operations;
3. In June 2022, the Company has entered into an extension corporate bond agreement to extend the maturity date of Bond II from 17 March 2022 to 17 March 2023 with interest rate changed from 5% to 8% per annum starting from 18 March 2022;
4. In July 2022, the Company has entered into an extension corporate bond agreement to extend the maturity date of Bond III from 15 July 2022 to 15 July 2023 with interest rate changed from 7% to 8% per annum starting from 16 July 2022;
5. The Group is in the process of negotiating with its convertible bondholders and corporate bondholders to restructure and/or refinance its borrowings, and secure necessary facilities to meet the Group's working capital and financial requirements in the near future;
6. The Group will seek to obtain additional new financial support including but not limited to borrow loans, issuing additional equity or debt securities; and
7. The Group will also seek to redeem some of its investment products as soon as practically feasible while trying to minimize the potential loss of value given the current adverse condition and challenging economic environment.

After taking into account the above measures, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the condensed consolidated financial statements for the Period on a going concern basis.

At the end of the reporting period, no margin facility (31 December 2021: HK\$nil) from a regulated securities broker was granted to the Group under which financial assets at FVTPL with market value of approximately HK\$80,000 (31 December 2021: approximately HK\$57,000) were pledged as collateral.

The Company has foreign currency investments in financial assets, which expose it to foreign currency risk. The Group is mainly exposed to the effects of fluctuation of the S\$. In view of the fluctuation of S\$ against HK\$, The Board believes that the foreign exchange risk is minimal.

INVESTMENT REVIEW

The Company is an investment company listed on the main board of the Stock Exchange under Chapter 21 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The details of investments with a value of 5% or more of the Group’s total assets as at the Year were summarised as below:

Financial assets at fair value through profit or loss

(i) *Unlisted investment funds*

Investment portfolio/ instrument	Initial investment costs	Name and principal business of underlying investee company(ies)	Carrying value as at 30 June 2022
Fixed Income Product A	HK\$12,000,000	Amazing Auction Limited (fixed income product collateralised by antiques)	HK\$12,485,642

(1) *Investment Mandate:*

Investment Objective

The investment objective of the Fixed Income Product A is to receive stable and decent return with manageable risks. The product is collateralised by antiques, which are categorised as alternative assets, not correlated with traditional asset classes, thus can serve as a hedge against normal market risks. In view of the total portfolio, the product could help with the risk diversification. There can be no assurance that the investment objective will be achieved. The purpose of mixing alternative investment in the portfolio is to have some forms of tangible assets hedging against the financial economy and to further diversify the portfolio.

Investment Tenor

Two years with an option of extension.

Collaterals

A number of antique pieces have been used as collaterals of the product. Professional advices have been sought with regard to the quality and value of the collaterals.

(2) *Investment Strategy:*

The investment intends to receive 10% annual return with manageable risks.

(3) *Prospect:*

The investment prospect is good with stable income and valuable collaterals as guarantee. Given the current geo-political crisis, the investment seems more suitable as people are more risk averse.

Investment portfolio/ instrument	Initial investment costs	Name and principal business of underlying investee company(ies)	Carrying value as at 30 June 2022
Fixed Income Product B	HK\$6,000,000	Amazing Auction Limited (fixed income product collateralised by antiques)	HK\$6,257,171

(1) *Investment Mandate:*

Investment Objective

The investment objective of the Fixed Income Product B is to receive stable and decent return with manageable risks. The product is collateralised by artwork and art collections and antiques, which are categorised as alternative assets, not correlated with traditional asset classes, thus can serve as a hedge against normal market risks. In view of the total portfolio, the product could help with the risk diversification. There can be no assurance that the investment objective will be achieved. The purpose of mixing alternative investment in the portfolio is to have some forms of tangible assets hedging against the financial economy and to further diversify the portfolio.

Investment Tenor

Two years with an option of extension.

Collaterals

A number of art and antique pieces have been used as collaterals of the products. Professional advices have been sought with regard to the quality and value of the collaterals.

(2) *Investment Strategy:*

The investment intends to receive 10% annual return with manageable risks. There is no guarantee that the investment strategies will achieve the investment objective.

(3) *Prospect:*

The investment prospect is good with stable income and valuable collaterals as guarantee. Given the current geo-political crisis, the investment seems more suitable as people are more risk averse.

Investment portfolio/ instrument	Initial investment costs	Name and principal business of underlying investee company(ies)	Carrying value as at 30 June 2022
Private Bond Investment Product A	HK\$32,000,000	CAM SPC Alpha SP (its underlying assets are related to special materials (for 3D printing, etc.))	HK\$34,071,025

(1) *Investment Mandate:*

Investment Objective

The investment objective is to maximize capital growth with a wide spectrum of assets (equity, fixed income, alternative investment, funds, etc.) with an annual return around 10%.

Investment Tenor

Two years with an option of extension.

(2) *Investment Strategy:*

The CAM SPC Alpha SP intends to achieve the agreed investment objective of around 10% annual return. It can invest in a wide range of instruments including, but not limited to, private equity, listed and unlisted equities, preferred stocks, convertible securities, equity-related instruments, fixed income/debt securities and obligations (which may be below investment grade), currencies, commodities, futures, options, warrants, swaps and other derivative instruments. It may also retain amounts in cash or cash equivalents (including money market funds) pending reinvestment, for use as collateral or as otherwise considered appropriate to the investment objective. The investment strategies summarised above represent the current intentions of the CAM SPC Alpha SP. Depending on conditions and trends in the securities markets and the economy in general, different strategies or investment techniques may be pursued or employed, subject to any applicable law or regulation.

(3) *Prospect:*

Based on the fund manager's analysis of macro-economic trends, financial market conditions and industry specifics at the time, and in line with the Fund's objectives and strategies, it was decided to invest in a private bond of 12% annual interest issued by an European company, which is an industry leader with unique technologies and know-how in the field of metal powder, which is often used in 3D printing among other things. It can significantly uplift the existing technology in China, thus having good growth and profit potentials. The investment prospect is good with stable fixed income and potential attractive upside if a conversion into equities is made in the future.

Investment portfolio/ instrument	Initial investment costs	Name and principal business of underlying investee company(ies)	Carrying value as at 30 June 2022
Private Bond Investment Product B	HK\$28,000,000	CAM SPC CNNC SP (its underlying assets are related to hi-tech, high-end manufacturing)	HK\$29,219,330

(1) *Investment Mandate:*

Investment Objective

The investment objective is to maximize capital growth with a wide spectrum of assets (equity, fixed income, alternative investment, funds, etc.) with an annual return around 10%.

Investment Tenor

Two years with an option of extension.

(2) *Investment Strategy:*

The CAM SPC CNNC SP intends to achieve the agreed investment objective of around 10% annual return. It can invest in a wide range of instruments including, but not limited to, private equity, listed and unlisted equities, preferred stocks, convertible securities, equity-related instruments, fixed income/debt securities and obligations (which may be below investment grade), currencies, commodities, futures, options, warrants, swaps and other derivative instruments. It may retain amounts in cash or cash equivalents (including money market funds) pending reinvestment, for use as collateral or as otherwise considered appropriate to the investment objective. The investment strategies summarised above represent the current intentions of the CAM SPC CNNC SP. Depending on conditions and trends in the securities markets and the economy in general, different strategies or investment techniques may be pursued or employed, subject to any applicable law or regulation.

(3) *Prospect:*

Based on the Fund Manager's analysis of macro-economic trends, financial market conditions and industry specifics at the time, and in line with the Fund's objectives and strategies, it was decided to invest in a private bond of 10% annual interest. The bond issuer is a European Company and industry leader with pioneering and special technologies in high-end manufacturing for specialised products, which improves product quality and reduce industrial waste, thus having good growth and profit prospect. The selection is targeted to provide a steady and predictable return with solid fundamentals of the investment target.

Investment portfolio/ instrument	Initial investment costs	Name and principal business of underlying investee company(ies)	Carrying value as at 30 June 2022
Private Bond Investment Product C	HK\$25,000,000	CAM SPC Omega SP (its underlying assets are related to ESG, waste management)	HK\$25,559,388

(1) *Investment Mandate:*

Investment Objective

The investment objective of the CAM SPC Omega SP is to maximize capital growth with a wide spectrum of assets (equity, fixed income, alternative investment, funds, etc.) with an annual return around 10%.

Investment Tenor

Two years with an option of extension.

(2) *Investment Strategy:*

The CAM SPC Omega SP intends to achieve the agreed investment objective of around 10% annual return. It can invest in a wide range of instruments including, but not limited to, private equity, listed and unlisted equities, preferred stocks, convertible securities, equity-related instruments, fixed income/debt securities and obligations (which may be below investment grade), currencies, commodities, futures, options, warrants, swaps and other derivative instruments. It may retain amounts in cash or cash equivalents (including money market funds) pending reinvestment, for use as collateral or as otherwise considered appropriate to the investment objective. The investment strategies summarised above represent the current intentions of the CAM SPC Omega SP. Depending on conditions and trends in the securities markets and the economy in general, different strategies or investment techniques may be pursued or employed, subject to any applicable law or regulation.

(3) *Prospect:*

The bond issuer is a European Company and industry leader with cutting-edge ESG related technologies in nuclear waste treatments, which can significantly uplift the existing technology in China, thus having good growth and profit prospect. The selection is targeted to provide a steady and predictable return with solid fundamentals of the investment target.

Summary list of investment under unlisted investment fund with a value greater than 5% as at 30 June 2022:

Name of investee company	Place of registration/ incorporation	Number of shares held	Effective shareholding interest	Initial investment cost HK\$	Unrealised gain (loss) arising on revaluation HK\$	Fair value/ market value HK\$	Net assets attributable to the investments HK\$	Dividend received/ receivable during the year HK\$	% of the Group's total assets as at reporting period end attributable to the investment HK\$
HF Multi-Asset Strategy Fund	Cayman Islands								
- Fixed Income Product A in Amazing Auction Limited		N/A	N/A	12,000,000	485,642	12,485,642	N/A	-	10.61%
- Fixed Income Product B in Amazing Auction Limited		N/A	N/A	6,000,000	257,171	6,257,171	N/A	-	5.32%
- Private Bond Investment Product A in CAM SPC Alpha SP		N/A	N/A	32,000,000	2,071,025	34,071,025	N/A	-	28.96%
- Private Bond Investment Product B in CAM SPC CNNC SP		N/A	N/A	28,000,000	1,219,330	29,219,330	N/A	-	24.83%
- Private Bond Investment Product C in CAM SPC Omega SP		N/A	N/A	25,000,000	559,388	25,559,388	N/A	-	21.72%

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period (six months ended 30 June 2021: HK\$nil).

GEARING RATIO

The gearing ratio (total borrowings/total assets) was 150.14% (31 December 2021: 141.90%).

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth.

The directors of the Company actively and regularly review and manage the Group's capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholders' returns. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may issue new shares, raise new debts or sell assets to reduce debt.

Litigation

On 22 February 2022, the Company received a winding-up petition filed by a holder of the Convertible Bonds (the "Convertible Bonds") to the Court of First Instance of the High Court of the Hong Kong for the winding-up of the Company in relation to, pursuant to the Convertible Bonds, an alleged outstanding debt in the sum of HK\$43,195,680, being the alleged outstanding principal amounts of the Convertible Bonds in the sum of HK\$39,996,000 and the alleged interest accrued thereon in the sum of HK\$3,199,680 up to 21 January 2022 ("Maturity Date") and, a further interest, calculated at 8% per annum on a 365-day basis until payment in full, following from the Maturity Date. The hearing of the winding-up petition is scheduled on 17 February 2023.

The directors of the Company are of the view that the litigations have no significant impact on the Group's financial position and its operating result for the period ended 30 June 2022 as the alleged outstanding principal and interest amounts of the Convertible Bonds have already been recorded in the consolidated financial statements as at 30 June 2022.

Contingent Liabilities

As at 30 June 2022, the Group did not have any contingent liabilities (31 December 2021: nil).

Employees

As at 30 June 2022, the Group has employed 5 employees, including one Executive Director and had no major changes in the information related to human resources as stated in its 2021 Annual Report.

OUTLOOK

Looking ahead, in the second half of 2022, the operating environment for financial markets is expected to remain challenging. The outbreak of COVID-19 virus continues to raging around the world has adversely impact on the investment market and thus many economic and political uncertainties caused by the increased of interest rate by totally 1.5% in three consecutive interest rate meetings by the United States Federal Reserve, the European Central Bank raised interest rate by 0.5% which is the largest rate hike in the past ten years, the high global inflation and rising interest rates by the Central Banks, in investors began to worry that the economic recovery was less than expected; affiliates the impacts of Russian – Ukrainian War and the rising geopolitical tensions across several regions in the Asia. In spite of this, the Group will continue to adopt and maintain a prudent investment approach to capture attractive market opportunities as and when they arise. The Group will continue fully leveraging its strong market analytical capability and carefully identify the market opportunities to increase the investment arrangements in biomedicine, new energy, new economy sectors, through professional, diversified and flexible investment, and prudent risk management and control strategy to bring the maximum returns for all the shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles, code provisions and recommended best practices as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). During the Period, the Company has complied with all code provisions, and where applicable, certain recommended best practices set out in the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), as contained in Appendix 10 of the Listing Rules, as the required standard for the Directors of the Company to deal in the securities of the Company. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the Period.

PURCHASE, SALE OR REDEMPTION OF SHARE

The Company has not redeemed any of its shares during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the Period.

REVIEW OF INTERIM FINANCIAL INFORMATION

The interim financial information of the Group for the Period is unaudited, but has been reviewed by the Company's Audit Committee.

PUBLICATION OF RESULTS AND INTERIM REPORT

This results announcement is published on the website of the Company at <http://www.goldstoneinvest.com> and the website of the Stock Exchange at www.hkexnews.hk. The interim report of the Company will be despatched to shareholders and published on the aforesaid websites in due course.

By Order of the Board
Goldstone Investment Group Limited
金石投資集團有限公司
Mr. Chan Cheong Yee
Executive Director

Hong Kong, 31 August 2022

As at the date of this announcement, the Board comprises seven Directors. The executive Director is Mr. Chan Cheong Yee; the non-executive Directors are Dr. Xiao Yanming, Ms. Li Ye and Mr. Wong Tsz Wai; and the independent non-executive Directors are Mr. Tung Shu Sun, Mr. Lai Kim Fung and Mr. Wong Yiu Kit, Ernest.

In the case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.