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China Fortune Financial Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 290)

Website: <http://www.290.com.hk>

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of China Fortune Financial Group Limited (the “**Company**”) announces the unaudited results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2022 (the “**Period**”) together with the comparative figures for the corresponding period in 2021. The Group’s interim financial information for the Period have been reviewed by the audit committee of the Board (the “**Audit Committee**”) as well as the external auditors of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

		Six months ended 30 September	
	<i>Notes</i>	2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	14,695	16,193
Net investment losses	8	(450)	(2,989)
Cost of brokerage and other services		(3,492)	(1,377)
Other income	6	1,988	458
Expected credit losses on loan and trade receivables, net		(8,708)	(557)
Staff costs	8	(23,326)	(24,943)
Other operating expenses	8	(6,157)	(12,208)
Finance costs	7	(3,643)	(6,858)
Impairment loss		—	(2,000)
Share of profits of associates		4,478	1,841
Share of profits of joint ventures		—	19
		<hr/>	<hr/>
Loss before tax	8	(24,615)	(32,421)
Income tax credit/(expense)	9	8	(556)
		<hr/>	<hr/>
Loss for the period		(24,607)	(32,977)
		<hr/>	<hr/>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(1,424)	169
Share of other comprehensive (expense)/income of associates		(10,684)	1,493
Share of other comprehensive expense of joint ventures		—	(12)
		<hr/>	<hr/>
		(12,108)	1,650
		<hr/>	<hr/>
Total comprehensive expense for the period		(36,715)	(31,327)
		<hr/> <hr/>	<hr/> <hr/>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share attributable to owners of the Company			
— Basic	11	(2.7)	(3.6)
— Diluted	11	(2.7)	(3.6)
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

		At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Non-current assets			
Property and equipment	12	—	—
Goodwill	13	—	—
Other non-current assets		6,978	6,978
Interests in associates	14	98,840	105,046
Interests in joint ventures	15	—	—
		105,818	112,024
Current assets			
Financial assets at fair value through profit or loss (“FVTPL”)		2,706	5,391
Loan and trade receivables	16	54,191	98,264
Contract assets		17	—
Other receivables, deposits and prepayments	17	7,004	21,006
Tax recoverable		4,085	2,171
Bank balances and cash — trust	18	177,727	175,336
Bank balances and cash — general	18	141,354	190,418
		387,084	492,586
Current liabilities			
Trade payables, other payables and accruals	19	183,926	179,461
Contract liabilities		—	419
Lease liabilities		6,445	6,790
Loan payables	20	—	100,458
Convertible bonds	23	—	—
Corporate bonds	22	5,156	33,007
Tax payable		975	1,266
		196,502	321,401
Net current assets		190,582	171,185
Total assets less current liabilities		296,400	283,209

		At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Lease liabilities		1,620	4,831
Corporate bonds	22	26,906	30,519
		<hr/> 28,526 <hr/>	<hr/> 35,350 <hr/>
Net assets		267,874 <hr/> <hr/>	247,859 <hr/> <hr/>
Capital and reserves			
Share capital	21	109,831	91,531
Reserves		158,043	156,328
		<hr/> 267,874 <hr/> <hr/>	<hr/> 247,859 <hr/> <hr/>
Total equity		267,874 <hr/> <hr/>	247,859 <hr/> <hr/>

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2022

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The addresses of the registered office and principal place of business of the Company are P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and Units No. 4102-06, 41/F., COSCO Tower, 183 Queen’s Road Central, Hong Kong respectively.

The Company is an investment holding company and its subsidiaries are principally engaged in securities and insurance brokerage and provision of asset management, corporate finance, margin financing and money lending services.

This interim financial information is presented in thousands of units of Hong Kong dollars (“**HK\$’000**”), unless otherwise stated.

The interim financial information of the Group for the Period have been prepared in accordance with the Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange and was approved for issue by the Board on 29 November 2022.

The interim financial information of the Group for the Period are unaudited, but have been reviewed by the Audit Committee together with the external auditors of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The interim financial information have been prepared on the historical cost basis, except for the financial instruments classified as at FVTPL and fair value through other comprehensive income (“**FVOCI**”), which are stated at fair values.

Except as described below, the accounting policies and methods of computation used in the interim financial information for the six months ended 30 September 2022 are the same as those used in the preparation of the Group’s most recent annual financial statements for the year ended 31 March 2022.

The Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the HKICPA that are effective for the Group’s financial year beginning on 1 April 2022.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract

Annual improvements to HKFRSs 2018-2020

The application of the amendments to HKFRS in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these interim financial statements.

Amendments to HKFRS 3 — “Reference to the Conceptual Framework”

In June 2020, the HKICPA issued amendments to HKFRS 3 (Revised), which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to HKAS 16 — “Proceeds before Intended Use”

The amendment to HKAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced during the testing phase of a manufacturing facility after it is being constructed but before start of commercial production). The proceeds from selling such samples, together with the costs of producing them, are now recognised in profit or loss.

Amendments to HKAS 37 — “Onerous Contracts — Cost of Fulfilling a Contract”

HKAS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the Group has committed to pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments to HKAS 37.68A clarify, that the costs relating directly to the contract consist of both:

The incremental costs of fulfilling that contract: e.g. direct labour and material; and

An allocation of other costs that relate directly to fulfilling contracts: e.g. allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

HKFRS 1: Subsidiary as a First-time Adopter

HKFRS 9: Fees in the '10 per cent' Test for Derecognition of Financial liabilities

HKAS 41: Taxation in Fair Value Measurements

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim financial information require management to make accounting judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Group for the year ended 31 March 2022.

4. REVENUE

Revenue represents the net amounts received and receivable for services provided in the normal course of business.

An analysis of the Group's revenue for the Period is as follows:

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividend income	—	229
Income from securities brokerage business	1,747	1,892
Income from money lending business	1,459	4,981
Income from insurance brokerage business	369	611
Income from asset management business	5,519	2,141
Margin interest income from securities brokerage business	1,811	2,416
Service income from corporate finance	3,790	3,923
	14,695	16,193
	14,695	16,193

The Group derives revenue from the services over time and at a point in time in the following table.

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers by timing of recognition		
<i>Overtime:</i>		
Service income from corporate finance	3,790	3,923
Income from asset management business	5,519	2,141
<i>At a point in time:</i>		
Income from securities brokerage business	1,747	1,892
Income from insurance brokerage business	369	611
	11,425	8,567
Revenue from contracts with customers within the scope of HKFRS 15		
Other information:		
Dividend income	—	229
Interest income from money lending business	1,459	4,981
Margin interest income from securities brokerage business	1,811	2,416
	14,695	16,193
	14,695	16,193

5. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance is focus on the type of services provided. No operating segment identified by the chief operating decision maker has been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- (1) The securities brokerage and margin financing segment engages in securities brokerage and margin financing in Hong Kong;
- (2) The corporate finance segment engages in the provision of corporate finance services;
- (3) The money lending segment engages in the provision of money lending in Hong Kong;
- (4) The consultancy and insurance brokerage segment engages in the provision of consultancy service and insurance brokerage in Hong Kong; and
- (5) The asset management segment engages in the provision of asset management and advisory services to professional investors and the management of financial investments.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the results from each segment without allocation of central administration expenses, office staff salaries, Directors' remunerations, and other operating income. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment. Inter-segment revenue are charged at prevailing market prices.

Segment revenue and results

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

For the six months ended 30 September 2022 (Unaudited)

	Securities brokerage and margin financing <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Consultancy and insurance brokerage <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue	3,558	3,790	1,459	369	5,519	—	—	14,695
Inter-segment revenue	2	—	—	100	—	—	(102)	—
Net investment gains/(losses)	21	—	—	—	(471)	—	—	(450)
Total	<u>3,581</u>	<u>3,790</u>	<u>1,459</u>	<u>469</u>	<u>5,048</u>	<u>—</u>	<u>(102)</u>	<u>14,245</u>
Finance costs	(2)	—	—	—	—	(3,641)	—	(3,643)
Others	<u>(10,049)</u>	<u>16,074</u>	<u>(4,026)</u>	<u>(421)</u>	<u>(6,281)</u>	<u>(35,094)</u>	<u>102</u>	<u>(39,695)</u>
Segment results	<u>(6,470)</u>	<u>19,864</u>	<u>(2,567)</u>	<u>48</u>	<u>(1,233)</u>	<u>(38,735)</u>	<u>—</u>	<u>(29,093)</u>
Share of profits of associates								<u>4,478</u>
Loss before tax								<u>(24,615)</u>
Income tax credit								<u>8</u>
Loss for the period								<u>(24,607)</u>

For the six months ended 30 September 2021 (Unaudited)

	Securities brokerage and margin financing HK\$'000	Corporate finance HK\$'000	Money lending HK\$'000	Consultancy and insurance brokerage HK\$'000	Asset management HK\$'000	Unallocated HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
Revenue	4,308	3,923	4,981	611	2,370	—	—	16,193
Inter-segment revenue	3	—	—	82	—	—	(85)	—
Net investment losses	—	—	—	—	(2,989)	—	—	(2,989)
Total	4,311	3,923	4,981	693	(619)	—	(85)	13,204
Finance costs	(13)	—	—	—	—	(6,845)	—	(6,858)
Others	(6,075)	(8,648)	(610)	(762)	(2,021)	(22,596)	85	(40,627)
Segment results	(1,777)	(4,725)	4,371	(69)	(2,640)	(29,441)	—	(34,281)
Share of profits of associates								1,841
Share of profits of joint ventures								19
Profit before tax								(32,421)
Income tax expense								(556)
Loss for the period								(32,977)

Segment assets and liabilities

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain other non-current assets (excluded financial assets at FVOCI), interests in associates, certain other receivables, deposits and prepayments and certain bank balances and cash — general; and
- all liabilities are allocated to operating segments other than certain other payables and accruals, lease liabilities, corporate bonds, loan and tax payable.

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

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Segment assets		
Securities brokerage and margin financing	266,071	297,397
Corporate finance	3,495	28,379
Money lending	17,479	59,536
Consultancy and insurance brokerage	1,590	1,252
Asset management	45,368	37,289
	<hr/>	<hr/>
Total segment assets	334,003	423,853
Unallocated	158,899	180,757
	<hr/>	<hr/>
Consolidated assets	492,902	604,610
	<hr/>	<hr/>
Segment liabilities		
Securities brokerage and margin financing	178,173	175,219
Corporate finance	70	1,232
Money lending	141	141
Consultancy and insurance brokerage	367	84
Asset management	5,343	5,685
	<hr/>	<hr/>
Total segment liabilities	184,094	182,361
Unallocated	40,934	174,390
	<hr/>	<hr/>
Consolidated liabilities	225,028	356,751
	<hr/> <hr/>	<hr/> <hr/>

6. OTHER INCOME

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income from financial institutions	435	111
Exchange gain, net	84	216
Sundry income	1,469	131
	<u>1,988</u>	<u>458</u>

Note: During the six months ended 30 September 2022, the Group recognised government grants of HK\$1,155,000 in respect of COVID-19-related subsidies in relation to Employment Support Scheme provided by the Hong Kong government.

7. FINANCE COSTS

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance charges on lease liabilities	101	218
Interests on bank and loan payables	1,713	1,403
Interests on corporate bonds	1,829	4,581
Interests on convertible bonds (<i>note 23</i>)	—	656
	<u>3,643</u>	<u>6,858</u>

8. LOSS BEFORE TAX

Loss before tax after charging:

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net investment losses:		
Net losses on financial assets and financial liabilities at FVTPL	450	2,989
	<u>450</u>	<u>2,989</u>
Other operating expenses:		
Auditor's remunerations	270	250
Announcement and Listing fee	183	221
Bank charges	71	63
Computer expenses	650	599
Depreciation on:		
— right-of-use assets	—	4,443
— property and equipment	—	941
Entertainment	630	455
Information and communication fee	812	919
Lease charges on short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	158	110
Legal and professional fee	1,125	868
Membership fee	33	32
Rates and building management fee	418	570
Telecommunication fee	190	212
Travelling expenses	412	322
Other expenses	1,205	2,203
	<u>6,157</u>	<u>12,208</u>

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Staff costs:		
— Directors' remunerations	5,162	5,204
— Salaries and allowance	17,446	19,089
— Retirement benefit scheme contributions (excluding Directors)	718	650
	<u>23,326</u>	<u>24,943</u>

9. INCOME TAX (CREDIT)/EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit during the six months ended 30 September 2022 (six months ended 30 September 2021: 16.5%).

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Provision for Hong Kong Profits Tax		
— Current period	—	556
— Over provision in respect of prior years	(8)	—
	<u>(8)</u>	<u>556</u>
Total income tax (credit)/expenses	<u>(8)</u>	<u>556</u>

Under the Law of the People's Republic of China (the "PRC" or "China") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No provision for the PRC EIT has been made for subsidiaries established in the PRC as these subsidiaries did not have any assessable profits subject to PRC EIT Law during the six months ended 30 September 2022 and 2021.

10. DIVIDEND

No dividend was paid or proposed during the Period, nor has any dividend been proposed since the end of the Period (six months ended 30 September 2021: nil).

11. LOSS PER SHARE

Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company of approximately HK\$24,607,000 (six months ended 30 September 2021: approximately HK\$32,977,000) by the weighted average number of 923,308,000 ordinary shares (six months ended 30 September 2021: 915,308,000 shares) in issue during the Period.

The calculation of diluted loss per share for the six months ended 30 September 2021 does not assume the exercise of the Company's outstanding convertible bonds which had anti-dilutive effect and would result in a reduction in loss per share. Therefore, the diluted loss per share is the same as the basic loss per share.

12. PROPERTY AND EQUIPMENT

For property and equipment, the Group did not purchase any property and equipment during the Period (six months ended 30 September 2021: nil).

For right-of-use assets, the Group did not enter into new lease agreement for its branch office during the Period (six months ended 30 September 2021: entered into new lease agreement). The Group is required to make fixed monthly payments. During six months ended 30 September 2021, the Group recognised additional right-of-use assets and lease liabilities of approximately HK\$937,000 respectively.

13. GOODWILL

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Gross carrying amount		
As at the beginning and end of the period/year	3,994	3,994
Accumulated impairment losses		
As at the beginning of the period/year	3,994	—
Impairment losses recognised in the year	—	3,994
As at the end of the period/year	3,994	3,994
Net carrying amount		
As at the end of the period/year	—	—

Impairment testing of cash-generating units containing goodwill

The carrying amount of goodwill is allocated to the corporate finance segment.

The recoverable amount of the corporate finance operation is determined based on value in use calculations using cash flow projections based on financial budget approved by the management covering five-year period, zero growth rate is applied to extrapolate the cash flows beyond five-year period during the year ended 31 March 2022. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The discount rate applied to the cash flow projections is 13.79% as at 31 March 2022. Other key assumptions for the value-in-use calculation related to the estimation of cash inflows and outflows which include budgeted sales and budgeted net profit margin. This estimation is determined based on the unit's past performance and management's expectation for the market development.

During the year ended 31 March 2022, based on the result of the assessment, the Directors determined that the recoverable amount of the corporate finance CGU is nil and lower than the carrying amount. Impairment loss of approximately HK\$3,994,000 recognized on goodwill as the management considered various factors, such as a challenging business environment and prudent behaviours of the investors as a result of Hong Kong capital market downturn that impact on the activity of IPO equity market.

14. INTERESTS IN ASSOCIATES

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Cost of investments in unlisted associates	64,131	64,131
Share of post-acquisition profits and other comprehensive income	34,709	40,915
	<u>98,840</u>	<u>105,046</u>

Set out below are the particulars of the principal associates as at 30 September 2022 and 31 March 2022. In the opinion of the Directors of the Company, to give details of other associates would result in particulars of excessive length:

Name of entity	Form of entity	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of nominal value of issued capital held by the Group		Proportion of voting right held by the Group at board level		Principal activities
				30 September 2022	31 March 2022	30 September 2022	31 March 2022	
Starlight Financial Holdings Limited (“Starlight”)	Limited liability company	Hong Kong	234,000,000 ordinary shares	25%	25%	33% (note 1)	33% (note 1)	Investment holding
City Eagle Holdings Limited	Limited liability company	Hong Kong	100 ordinary shares	25%	25%	33%	33%	Investment holding
Chongqing Liangjiang New Area Runtong Small Loans Business Limited* (“Runtong”)	Limited liability company	The PRC	Registered capital of US\$30,000,000	25%	25%	33%	33%	Provision of secured financing services and microfinance services in Chongqing of the PRC
Chongqing Run Kun Management Consulting Company Limited* (“Run Kun”)	Limited liability company	The PRC	Registered capital of HK\$10,000,000	25%	25%	33%	33%	Financial consulting services
Treasure Like Holdings Limited (Previously known as China Runking Financing Group Limited)	Limited liability company	Hong Kong	1 ordinary share	25%	25%	33%	33%	Provision of loan financing services

* *The English translation of the Chinese name in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name of such Chinese name.*

Note:

- The Group is able to exercise significant influence over Starlight and its subsidiaries (“Starlight Group”) because it has the power to appoint two out of the six directors of that company under the provisions stated in the shareholders’ agreement.

Treasure Like Holdings Limited, City Eagle Holdings Limited, Run Kun and Runtong are wholly-owned subsidiaries of Starlight.

As at 30 September 2022, included in the cost of investments in associates was goodwill of approximately HK\$4,052,000 (as at 31 March 2022: approximately HK\$4,052,000) arising on the acquisition of associates.

15. INTERESTS IN JOINT VENTURES

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Cost of investments in unlisted joint ventures	—	1,415
Share of post-acquisition losses and other comprehensive expenses	—	(320)
Disposal	—	(1,095)
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

During the year ended 31 March 2022, the Group disposed its entire interest in Shenzhen Qianhai Fortune Financial Service Company Limited and Shenzhen Qianhai Fortune Equity Investment Management Company Limited at a cash consideration of RMB970,000 (equivalent to HK\$1,220,000), resulting a gain on disposal of approximately HK\$57,000.

16. LOAN AND TRADE RECEIVABLES

Loan and trade receivables comprise i) trade receivables arising from securities brokerage business and other businesses and ii) loan receivables arising from money lending business.

	<i>Notes</i>	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Trade receivables	<i>a)</i>	39,159	47,537
Loan receivables — current	<i>b)</i>	15,032	50,727
		<u>54,191</u>	<u>98,264</u>
		<u>54,191</u>	<u>98,264</u>

a) **Trade receivables**

The followings are the balances of trade receivables, net of expected credit losses:

	At	At
	30 September	31 March
	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables from securities brokerage business:		
— Cash clients	—	24
— Hong Kong Securities Clearing Company Limited (“HKSCC”)	—	410
— Margin clients	45,180	48,257
Trade receivables from other businesses	2,352	1,639
	<hr/>	<hr/>
	47,532	50,330
Less: expected credit losses	(8,373)	(2,793)
	<hr/>	<hr/>
	39,159	47,537
	<hr/> <hr/>	<hr/> <hr/>

The settlement terms of trade receivables from cash client and HKSCC arising from securities brokerage business are two trading days after the trade date. The Group allows an average credit period of 30 days to its customers of other businesses.

No aging analysis is disclosed for the Group’s margin clients as these margin clients were carried on an open account basis, and only fall due on conditions or on demand by the Group. The Directors of the Company consider that the aging analysis does not give additional value in the view of the nature of these receivables.

The following is an aging analysis of trade receivables (excluded margin clients), net of expected credit losses, at the end of the Period/year based on the invoice date is as follows:

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Less than 30 days	656	493
31 to 60 days	19	342
61 to 90 days	107	—
Over 90 days	213	556
	<u>995</u>	<u>1,391</u>

As at 30 September 2022, trade receivables from cash and margin clients are secured by the client's pledged securities at quoted market value of HK\$70,677,000 (as at 31 March 2022: HK\$560,284,000) which could be realised at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. There is no re-pledge of the collateral from margin clients for the six months ended 30 September 2022 and 2021 and as at 30 September 2022 and 31 March 2022.

b) Loan receivables

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Current portion		
Secured loan receivables	14,139	14,139
Unsecured loan receivables	4,021	36,588
	<u>18,160</u>	<u>50,727</u>
Less: expected credit losses	(3,128)	—
	<u>15,032</u>	<u>50,727</u>

The Group has provided money lending and mortgage services in Hong Kong during the year. The customers are mainly individuals. The Group recorded an interest income from money lending of approximately HK\$1,459,000 (six months ended 30 September 2021: approximately HK\$4,981,000), representing a decrease of approximately 70.71% as compared with the corresponding period in 2021.

As at 30 September 2022, the secured loan receivables are secured by all monies, deposits and equity shares of listed companies with fair value of approximately HK\$3,298,000 (as at 31 March 2022: HK\$2,567,000) in the securities broker account and second mortgage over certain property units and bear interest at a fixed interest rate at 12% to 13% (as at 31 March 2022: 12% to 13%) per annum.

As at 30 September 2022, the unsecured loan receivables carry interest at fixed interest rate at 12% (as at 31 March 2022: 12% to 15%) per annum and guaranteed by an independent third party.

The amount of loans receivables due from the largest borrower and the three (as at 31 March 2022: five) largest borrowers are approximately HK\$9,087,000 (as at 31 March 2022: approximately HK\$22,519,000) and approximately HK\$15,032,000 (as at 31 March 2022: approximately HK\$50,727,000) respectively.

The Group has certain concentration risk on loan receivables as it has three (as at 31 March 2022: five) customers with outstanding balances of approximately HK\$15,032,000 (as at 31 March 2022: approximately HK\$50,727,000) as at 30 September 2022.

The following table illustrates the aging analysis, net of expected credit losses, based on the loan drawdown date, of the loan receivables outstanding at the end of the Period/year:

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Less than 30 days	161	227
Over 90 days	14,871	50,500
	<u>15,032</u>	<u>50,727</u>

The loan receivables are due for settlement at the date specified in the respective loan agreements.

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Other receivables	2,670	17,927
Deposits	2,145	2,232
Prepayments	2,189	847
	<u>7,004</u>	<u>21,006</u>

As at 30 September 2022, other receivables mainly represent monies placed in various brokers accounts.

18. BANK BALANCES AND CASH

Bank balances and cash — trust

The Group maintains segregated trust accounts with a licensed bank to hold clients' monies arising from its securities brokerage and margin and financing business. The Group has classified the clients' monies as bank balances and cash — trust under the current assets of the condensed consolidated statement of financial position and recognised the corresponding trade payables to respective clients on the ground that it is liable for any loss or misappropriation of clients' monies. The Group is restricted to use the clients' monies to settle its own obligations.

Bank balances and cash — general

As at 30 September 2022, bank balances and cash held by the Group which amounted to approximately HK\$141,354,000 (as at 31 March 2022: HK\$190,418,000) were with an original maturity of three months or less. The bank balances and bank deposits carried interest at market rates ranging from 0% to 2.43% (as at 31 March 2022: 0% to 0.5%) per annum.

As at 30 September 2022, the Group had bank balances of approximately HK\$14,181,000 (as at 31 March 2022: HK\$75,984,000) and HK\$33,308,000 (as at 31 March 2022: HK\$5,728,000) which were originally denominated in United States dollar (“USD”), and Renminbi (“RMB”) respectively.

19. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Trade payables from the securities brokerage business:		
— Margin and cash clients	174,795	172,364
— HKSCC	2,932	—
Other payables and accruals	6,199	7,097
	<u>183,926</u>	<u>179,461</u>

The settlement terms of trade payable to HKSCC are two trading days after the trade dates.

No aging analysis is disclosed for the Group's trade payables to margin and cash clients as these clients were carried on an open account basis. The Directors consider that the aging analysis does not give additional value in the view of the nature of these payables.

20. LOAN PAYABLES

As at 30 September 2022, the unsecured bank loan amounted to HK\$nil (as at 31 March 2022: HK\$100,458,000) borne variable interest rate and guaranteed by the corporate guarantee given by a wholly-owned subsidiary of the Company, Fortune Finance Limited. The rate as at 30 September 2022 was nil (as at 31 March 2022: 2.83%) per annum.

21. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each at 1 April 2021, 31 March 2022 and 30 September 2022	2,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 1 April 2021, 31 March 2022 and 1 April 2022 (audited)	915,308	91,531
Issue of share (<i>note a</i>)	183,000	18,300
Ordinary shares of HK0.10 each of 30 September 2022 (unaudited)	1,098,308	109,831

(a) Issue of shares

In September 2022, a total of 183,000,000 ordinary shares with a nominal value of HK\$0.10 each were issued upon completion of the subscription to independent third parties. The net proceeds received by the Company from the subscription was approximately HK\$56,730,000.

22. CORPORATE BONDS

	At 30 September 2022 HK\$'000 (Unaudited)	At 31 March 2022 HK\$'000 (Audited)
Current	5,156	33,007
Non-current	26,906	30,519
	32,062	63,526

Particulars of outstanding corporate bonds at reporting date summarised by original issue years are set out below:

Issue in the year ended	Original terms	Annual coupon rate	Effective interest rate	Principal <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
At 30 September 2022					
31 March 2016	7 years	6.5%	9.12%	2,000	2,046
31 March 2017	7 – 7.5 years	6.5%	9.10% – 9.12%	30,100	30,016
					32,062
					32,062
At 31 March 2022					
31 March 2014	8.5 – 8.67 years	7%	9.20% – 9.24%	20,000	20,551
31 March 2016	7 years	6.5%	9.12%	12,000	12,456
31 March 2017	7 – 7.5 years	6.5%	9.10% – 9.12%	30,100	30,519
					63,526
					63,526

These corporate bonds are repayable as follows:

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Within one year	5,156	33,007
More than one year but not exceeding two years	26,906	28,547
More than two years but not exceeding five years	—	1,972
	32,062	63,526
	32,062	63,526

23. CONVERTIBLE BONDS

The Group employs convertible bonds as one of its sources of financing.

At reporting date, carrying amounts of the convertible bonds and convertible bonds reserves are as follows:

	At 30 September 2022 HK\$'000 (Unaudited)	At 31 March 2022 HK\$'000 (Audited)
Convertible bonds		
— Current	—	—
	=====	=====
Convertible bonds reserves	—	—
	=====	=====

Particulars of convertible bonds in the prior years are set out as below:

Issue in the year ended	Issue date	Maturity date	Coupon rate	Effective interest rate	Principal HK\$'000	Conversion price per share HK\$	Issuer earlier redemption right
Year ended 31 March 2019							
2019 A	5 July 2018	5 July 2021	2%	11.74%	60,000	0.60	No

Movements of carrying amounts of the liability components and equity components are summarised below.

	2019 A <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Liability components		
At 1 April 2021 (audited)	21,604	21,604
Interests at effective interest rates	656	656
Redemption upon maturity	(22,260)	(22,260)
	<hr/>	<hr/>
At 31 March 2022 (audited) and 30 September 2022 (unaudited)	—	—
	<hr/> <hr/>	<hr/> <hr/>
	2019 A <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Equity components		
At 1 April 2021 (audited)	5,161	5,161
Lapse of conversion option upon maturity	(5,161)	(5,161)
	<hr/>	<hr/>
At 31 March 2022 (audited) and 30 September 2022 (unaudited)	—	—
	<hr/> <hr/>	<hr/> <hr/>

24. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

All executive Directors were considered to be the key management personnel of the Group for the six months ended 30 September 2022 and 2021. The remuneration of executive Directors during the Period was as follows:

	Six months ended 30 September	
	2022	2021
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
	(Unaudited)	(Unaudited)
Short-term benefits	3,818	3,969
Post-employment benefits	26	27
	<hr/>	<hr/>
	3,844	3,996
	<hr/> <hr/>	<hr/> <hr/>

25. COMMITMENTS

(i) Lease commitments

The Group as lessee

At the end of the Period/year, the Group had commitments for short-term leases which fall due as follows:

	At 30 September 2022 HK\$'000 (Unaudited)	At 31 March 2022 HK\$'000 (Audited)
Within one year	—	5

(ii) Capital commitment

The Group had the following capital commitment at the end of the Period/year:

	At 30 September 2022 HK\$'000 (Unaudited)	At 31 March 2022 HK\$'000 (Audited)
Commitments but not provided for: Financial assets at FVTPL	904	—

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value in the condensed consolidated statement of financial position are categorised into the three level fair value hierarchies as defined in HKFRS 13 “Fair Value Measurement”.

The following table gives information about how fair values of these financial assets are determined (in particular, the valuation technique(s) and input(s) used).

Financial instruments	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 September 2022 <i>HK\$'000</i> (Unaudited)	31 March 2022 <i>HK\$'000</i> (Audited)		
Financial assets at FVTPL				
— Equity securities listed in Hong Kong and outside Hong Kong	1,089	5,391	Level 1	Quoted bid prices in active market
— Unlisted debt securities	1,584	—	Level 2	Quoted prices from pricing services
— Derivative financial instruments	33	—	Level 1	Quoted bid prices in active market
Financial assets at FVOCI				
— Unlisted equity securities (i)	138	138	Level 3	Net asset value

There were no transfers between levels of fair value hierarchy during the Period/year.

- (i) The fair value of the unlisted equity investment is by reference to the net asset value of the respective companies.

The reconciliation of the carrying amounts of the Group's financial instruments classified within Level 3 of the fair value hierarchy is as follows:

	Unlisted equity securities <i>HK\$'000</i>
At 1 April 2021 (Audited), 31 March 2022 (Audited) and 30 September 2022 (Unaudited)	<u><u>138</u></u>

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the interim financial information approximate their fair values.

27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to enhance comparability with the current period condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the Period, revenue and net investment losses of the Group amounted to approximately HK\$14,245,000, representing an increase of approximately 7.88% from approximately HK\$13,204,000 for the six months ended 30 September 2021.

The Group recorded a loss attributable to owners of the Company of approximately HK\$24,607,000 for the Period, as compared with the loss of approximately HK\$32,977,000 for the corresponding period in 2021. The improvement in losses for the period was mainly due to (i) a decrease in operating expenses due to property and equipment being fully impaired as at 31 March 2022; and (ii) a decrease in finance costs due to repayment of corporate bonds upon maturity.

The basic and diluted loss per share for the Period was approximately HK2.7 cents as compared with the basic and diluted loss per share of approximately HK3.6 cents for the corresponding period in 2021.

Business Review

Securities brokerage and margin financing

During the Period, the business of securities brokerage and margin financing recorded a revenue and net investment gains of approximately HK\$3,581,000, representing a decrease of approximately 16.93% as compared to the revenue and net investment gains of approximately HK\$4,311,000 for the corresponding period in 2021. The decrease in revenue was mainly contributed from the decrease of Group's underwriting business.

The segment loss for the Period amounted to approximately HK\$6,470,000 (six months ended 30 September 2021: approximately HK\$1,777,000), representing an increase in segment loss of approximately 264.10% as compared with the corresponding period in 2021. The increase in segment loss was mainly contributed from the expected credit losses on trade receivables.

The Group's strategy is to focus and strengthen existing securities operation and work in close collaboration with our corporate finance business as well as wealth management business, in order to provide a one-stop integrated financial services to better serve our institutional and high net worth individual clients.

Corporate finance

The corporate finance market was under a keen competition during the Period. Segment revenue from corporate finance business decreased by approximately 3.39% from approximately HK\$3,923,000 to approximately HK\$3,790,000 while the segment profit for the Period amounted to approximately HK\$19,864,000 as compared to a segment loss amounted to approximately HK\$4,725,000 for the corresponding period in 2021. The increase in segment profit was mainly contributed from the other income resulted from waiver of debt.

Money lending

During the Period, there was intense competition in the money lending market. The Group recorded an interest income from money lending of approximately HK\$1,459,000 (six months ended 30 September 2021: approximately HK\$4,981,000), representing a decrease of approximately 70.71% as compared with the corresponding period in 2021. The segment loss for the Period amounted to approximately HK\$2,567,000 (six months ended 30 September 2021: segment profit approximately HK\$4,371,000).

The Group applies general approach in measuring loss allowance for expected credit losses on loans receivable.

The Group granted loans of different durations to borrowers. As the term loans are normally repaid monthly in instalment amount, they would be past due during the loan period and thus, past due day information is meaningful in assessing if there is significant increase in credit risk during the loan period.

In assessing default risk of loan receivables, management considered the following factors:

- collateral ratio (if any);
- amount of actual shortfall;
- delay in repayment;
- responsiveness to the Group's request for repayment after maturity of loan;
- an actual or expected downgrade of the external or internal credit rating of the borrower;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligation;
- significant changes in external market indicators of credit risk for a particular financial asset or similar financial assets with similar characteristics; and
- significant changes in the value of the collateral supporting the obligation or credit enhancement, if applicable.

Management classifies loan receivables based on the following:

Stage 1: For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination.

Stage 2: For exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired. Below are indicators of significant increase in credit risks: (a) if repayment of loan is delayed by borrower; (b) if collateral Ratio (if any) is 60% or higher; and (c) responsive to the Group's request for repayment.

Stage 3: Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. Below are events indicating that the balance is credit-impaired:

- (a) the Group makes liquidation call to borrowers to liquidate their securities collateral (if any) to settle the outstanding balances;
- (b) the borrower is not responsive to the Group's request; and
- (c) the Group loses contact with the borrowers.

In assessing default risk of loan receivables, management would make reference to the default rates studies conducted by certain external credit rating agencies. In addition, management would incorporate forward looking economic information through the use of industry trend and experienced credit judgment to reflect qualitative factors.

Consultancy and insurance brokerage

During the Period, the Group recorded a segment revenue from consultancy and insurance brokerage services of approximately HK\$469,000 (six months ended 30 September 2021: approximately HK\$693,000), representing a decrease of approximately 32.32% as compared with the corresponding period in 2021.

Asset management

During the Period, the Group recorded a segment revenue and net investment losses from asset management of approximately HK\$5,048,000 (six months ended 30 September 2021: segment revenue and net investment losses approximately HK\$619,000). The decrease in segment loss was mainly contributed from the increase in revenue generated from asset management business.

OUTLOOK

In the backdrop of global economic turmoil and Hong Kong's financial market seeking changes and innovations, the Company is determined to forge ahead with reform and innovation, actively introducing strategic investors, and reorganized and optimized our management structure. The Company has officially changed its name to “GoFintech Innovation Limited 國富創新有限公司” (which has the meaning of building upon achievements from the past and starting over with innovation), and driven by science and technology innovation, the Company is committed to becoming a one-stop integrated financial service platform that based in Hong Kong and we would be able to facing the world with the support of Mainland China.

At the strategic level, the Company will grasp the unprecedented opportunity of Hong Kong being integrated into the overall national development of China, leverage Hong Kong's role as the “bridgehead” in the Guangdong-Hong Kong-Macao Greater Bay Area to be the communication hub between China and the world, adhere to the national policies of “dual circulation” and “Belt and Road”, as well as facilitate the two-way flow of cross-boundary RMB funds.

At the execution level, the Company will deepen the development of cross-border and cross-sector specialized financial services, and at the same time expand the financial technology innovation business, continue to explore the demand of customers and market segments, and enrich its business lines, so as to enhance its comprehensive financial service capabilities. The Company will place emphasis on the principle of “people-oriented”, strengthen the development of its professional team, optimize its incentives, training and cooperation systems, attract talents with international vision, and continue to introduce like-minded strategic partners.

In order to achieve the above goals and strengthen our business competitiveness, strengthening the Company’s capital strength as a foundation is the necessary path. The Company is determined to expand its fund-raising channels, continue to incurring investments in assets, and continue to expand the scale of capital, so as to improve the Company’s credit rating and industry status in the capital market, and thus improving its capability to recruit outstanding talents, expand technological innovation business, and continue to create value for the shareholders, customers and business partners of the Company.

CAPITAL STRUCTURE

As at 30 September 2022, the nominal value of the total issued share capital of the Company was approximately HK\$109,831,000 comprising 1,098,307,885 shares of the Company of HK\$0.10 each (the “**Shares**”).

On 1 September 2022 (after trading hours), the Company entered into the conditional subscription agreement with six subscribers for the subscription of an aggregate of 183,000,000 subscription shares at the subscription price of HK\$0.31 per subscription share. On 23 September 2022, an aggregate of 183,000,000 subscription shares, representing approximately 16.66% of the total number of issued shares, have been allotted and issued to the subscribers in accordance with the terms of the subscription agreement.

The Group actively and regularly reviews and manages its capital structure and makes adjustments to the capital structure in light of changes in economic conditions. For the licensed subsidiaries of the Group, the Group ensures each of them maintains a liquid capital level that is adequate to support the level of activities with a sufficient buffer to accommodate increases in liquidity requirements arising from potential increases in the level of business activities. During the Period, all the licensed subsidiaries of the Group complied with the liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules.

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to the Shareholders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of debt, which includes convertible bonds, corporate bonds, lease liabilities, loans, cash and cash equivalents and equity attributable to owners of the Company, which comprises issued share capital and reserves.

The Directors review the capital structure regularly. As part of the review, the Directors consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. The overall strategy of the Group remains unchanged during the Period and the year ended 31 March 2022.

For certain subsidiaries of the Group, they are regulated by the Securities and Futures Commission ("SFC") of Hong Kong and are required to comply with certain minimum capital requirements according to the rules of SFC. Our management monitors, on a daily basis, the subsidiaries' liquid capital level to ensure they meet the minimum liquid capital requirements in accordance with the Hong Kong Securities and Futures (Financial Resources) Rules. The range of liquid capital is from HK\$100,000 to HK\$3,000,000 or 5% of their total adjusted liabilities, whichever is higher.

One of the subsidiaries of the Group is a licensed insurance intermediary under the Insurance Ordinance and is required to maintain a minimum net asset value of HK\$300,000 at all times.

There is no non-compliance of the capital requirements of the Group's members imposed by the respective regulators during the Period and the year ended 31 March 2022.

LIQUIDITY AND FINANCIAL RESOURCES AND GEARING RATIO

During the Period, the Group mainly financed its operations by cash generated from operating activities and loans.

As at 30 September 2022, the Group's current assets and current liabilities were approximately HK\$387,084,000 (as at 31 March 2022: approximately HK\$492,586,000) and approximately HK\$196,502,000 (as at 31 March 2022: approximately HK\$321,401,000) respectively, while the current ratio was about 1.97 times (as at 31 March 2022: about 1.53 times).

As at 30 September 2022, the Group's aggregate cash and cash equivalents amounted to approximately HK\$141,354,000 (as at 31 March 2022: approximately HK\$190,418,000), of which approximately 66.36% was denominated in Hong Kong dollars (as at 31 March 2022: approximately 57.09%), approximately 10.03% was denominated in USD (as at 31 March 2022: approximately 39.90%), approximately 23.56% was denominated in RMB (as at 31 March 2022: approximately 3.01%), and approximately 0.05% was denominated in SGD (as at 31 March 2022: nil), representing approximately 36.52% (as at 31 March 2022: approximately 38.66%) of total current assets. As at 30 September 2022, no bank loan was borrowed by the Group (as at 31 March 2022: bank loans with accrued interest of approximately HK\$100,458,000).

During the Period, no financial instruments were used for hedging purposes. As at 30 September 2022, the gearing ratio, measured on the basis of total borrowings as a percentage of equity attributable to owners of the Company, was approximately 14.98% (as at 31 March 2022: approximately 70.85%). The decrease was mainly due to repayment of corporate bonds and bank loan. As at 30 September 2022, the debt ratio, defined as total debts over total assets, was approximately 45.65% (as at 31 March 2022: approximately 59.01%).

No corporate bond was issued during the Period and the year ended 31 March 2022.

ISSUE OF CONVERTIBLE BONDS

On 22 November 2016, the Company (as the issuer) entered into each of the Cinda Subscription Agreement, the PAL Subscription Agreement and the Riverhead Capital Subscription Agreement (each as defined below) in relation to the issue of convertible bonds in an aggregate principal amount of HK\$570,000,000.

- (i) The Company entered into a subscription agreement (the "**Cinda Subscription Agreement**") with Mankind Investment Limited ("**Mankind**"), pursuant to which, Mankind agreed to subscribe to convertible bonds in the principal amount of HK\$110,754,000 (the "**Convertible Bonds to Mankind**").
- (ii) On 21 September 2016, the Company entered into a subscription agreement with Pacific Alliance Limited ("**PAL**"), and subsequently a supplemental agreement on 22 November 2016 (the "**PAL Subscription Agreement**"), pursuant to which, PAL agreed to subscribe to convertible bonds in the principal amount of HK\$153,585,000 (the "**Convertible Bonds to PAL**"). On 8 January 2018, PAL sold the Convertible Bonds to PAL to Value Convergence Holdings Limited.

- (iii) The Company entered into a subscription agreement (the “**Riverhead Capital Subscription Agreement**”) with Riverhead Capital (International) Management Co., Limited (“**Riverhead Capital**”), pursuant to which, Riverhead Capital agreed to subscribe to convertible bonds in the aggregate principal amount of HK\$305,661,000 (the “**Convertible Bonds to Riverhead Capital**”) in 4 tranches.

Completion of subscriptions (i), (ii) and tranche 1 of subscription (iii) above (altogether, the “**Tranche 1 Convertible Bonds**”) took place on 30 March 2017. The convertible bonds to Mankind, PAL and Riverhead Capital all bear an interest rate of 2% and mature on the third (3rd) anniversary of the date of issue of the convertible bonds with both dates inclusive at the conversion price of HK\$0.06 per conversion share. Upon full conversion of the Tranche 1 Convertible Bonds by all subscribers at the conversion price of HK\$0.06, a total number of 6,500,000,000 conversion shares would be issued, subject to adjustments to the conversion price of HK\$0.06.

The net proceeds raised through the issue of the Tranche 1 Convertible Bonds were approximately HK\$385,000,000, in which (i) approximately HK\$180,000,000 was used for the injection of capital to a wholly-owned subsidiary of the Company and expanding its margin financing and underwriting business; (ii) approximately HK\$150,000,000 for expanding its money lending business; (iii) approximately HK\$12,000,000 for engaging in private equity investments; (iv) approximately HK\$9,000,000 for strengthening the capital base of its subsidiaries and (v) the remaining balance of approximately HK\$34,000,000 for the general working capital of the Group.

The Convertible Bonds to Mankind was exercised in approximately 51.74% of original principal amount, which was equivalent to the amount of HK\$57,300,000 at the conversion price of HK\$0.06 on 27 April 2017. After completion of conversion, 955,000,000 shares of the Company were issued on 28 April 2017. Furthermore, tranche 1 of the Convertible Bonds to Riverhead Capital was also exercised in full in the principal amount of HK\$125,661,000 at the conversion price of HK\$0.06 on 27 April 2017. After the completion of conversion, 2,094,350,000 shares of the Company were issued on 28 April 2017.

Following the exercise of tranche 1 of the Convertible Bonds to Riverhead Capital, completion of subscription of tranche 2 took place on 28 June 2017. The net proceeds raised through the issue of tranche 2 of the Convertible Bonds to Riverhead Capital were HK\$60,000,000, in which approximately HK\$50,000,000 was used for further expanding its margin financing business and approximately HK\$10,000,000 for its underwriting business.

Following the completion of tranche 2 of the Convertible Bonds to Riverhead Capital, completion of subscription of tranche 3 took place on 5 July 2018. The net proceeds raised through the issue of tranche 3 of the Convertible Bonds to Riverhead Capital were HK\$60,000,000, in which approximately HK\$36,000,000 was used for further strengthening the proprietary trading business, approximately HK\$12,000,000 was used for engagement in private equity investments such as pre-IPO investment, and approximately HK\$12,000,000 was used for the asset management business as seed money to the existing funds and/or new funds.

The tranche 3 of the Convertible Bonds to Riverhead Capital was exercised in 65% of original principal amount, which was equivalent to the amount of HK\$39,000,000 at the conversion price of HK\$0.06 on 11 January 2019. After the completion of conversion, the number of 650,000,000 shares of the Company were issued on 14 January 2019.

The tranche 4 of the Convertible Bonds to Riverhead Capital were not issued due to the non-satisfaction of the conditions precedent set out in the Riverhead Capital Subscription Agreement.

The Convertible Bonds to Mankind matured on 30 March 2020. Pursuant to the terms and conditions of the Convertible Bonds to Mankind, the outstanding principal amount of HK\$53,454,000 together with all accrued and unpaid interests was subsequently repaid on 3 April 2020.

The Convertible Bonds to PAL matured on 30 March 2020. Pursuant to the terms and conditions of the Convertible Bonds to PAL, the outstanding principal amount of HK\$153,585,000 together with all accrued and unpaid interests shall be paid by the Company to the current bondholders of the Convertible Bonds to PAL. As disclosed in the voluntary announcement of the Company dated 10 July 2020, the Company fully settled and repaid the balance of the outstanding principal and interest in relation to the Convertible Bonds to PAL.

The tranche 2 of the Convertible Bonds to Riverhead Capital was due on 28 June 2020. As disclosed in the announcement of the Company dated 8 July 2020 (the “**Amendment Deed Announcement**”), the Company and Riverhead Capital entered into an amendment deed (the “**Amendment Deed**”) on 8 July 2020 (after trading hours), pursuant to which, Riverhead Capital conditionally agreed to extend the maturity date of the tranche 2 of the Convertible Bonds to Riverhead Capital from the date falling on the third anniversary of the issue date of the tranche 2 of the Convertible Bonds to Riverhead Capital (i.e. 28 June 2020) to the fifth anniversary of the issue date of the tranche 2 of the Convertible Bonds to Riverhead Capital

(i.e. 28 June 2022) (the “**CB Extension**”). Subject to fulfilment of the conditions precedent as disclosed in Amendment Deed Announcement, the Company shall execute a supplemental deed poll to effect the CB Extension. A circular containing, among others, further details of CB Extension and a notice of the extraordinary general meeting (the “**EGM**”) was despatched to the Shareholders on 29 July 2020.

At the EGM held on 27 August 2020, the ordinary resolution approving the CB Extension contemplated under the Amendment Deed and the proposed grant of the specific mandate as set out in the EGM notice dated 29 July 2020 was not passed by the independent Shareholders by way of poll at the EGM. Pursuant to the terms and conditions of the Convertible Bonds to Riverhead Capital, the outstanding principal amount of HK\$60,000,000 together with all accrued and unpaid interests of the tranche 2 of the Convertible Bonds to Riverhead Capital was repaid on 4 September 2020.

The tranche 3 of the Convertible Bonds to Riverhead Capital matured on 5 July 2021. Pursuant to the terms and conditions of the Convertible Bonds to Riverhead Capital, the outstanding principal amount of HK\$21,000,000 together with all accrued and unpaid interests was repaid on 5 July 2021.

For details of the Cinda Subscription Agreement, PAL Subscription Agreement and Riverhead Capital Subscription Agreement and the relevant transactions, please refer to the circular of the Company dated 13 December 2016 and 29 July 2020, and announcements of the Company dated 21 September 2016, 22 November 2016, 5 January 2017, 30 March 2017, 28 April 2017, 5 July 2018, 14 January 2019, 30 March 2020, 14 April 2020, 8 July 2020, 10 July 2020 and 27 August 2020.

With reference made to the mentioned circulars and announcements, Tranche 1 Convertible Bonds, tranche 2 of the Convertible Bonds to Riverhead Capital and tranche 3 of the Convertible Bonds to Riverhead Capital were issued pursuant to the resolutions passed at the EGM held on 5 January 2017. The total funds raised from and the details of the use of proceeds of the said tranches are as follows:

Tranche 1 Convertible Bonds

Intended use of the proceeds as previously disclosed	Approximate amount to apply on the proceeds as previously disclosed	Utilized proceeds on the intended use during the six months ended 30 September 2022	Unutilized proceeds as at 30 September 2022	Expected timeline for the use of unutilized proceeds and reasons for delay
a. Expanding the margin financing and underwriting businesses	HK\$60,000,000	HK\$60,000,000	HK\$0	Not applicable
b. Establishment of a joint venture company to be formed in the PRC (the “JV Company”) under the Closer Economic Partnership Arrangement	HK\$120,000,000	HK\$0	HK\$120,000,000	The proceeds is planned to be applied in accordance with the intended use as disclosed in the circular dated 13 December 2016. Documents to supplement the application made to China Securities Regulatory Commission for establishment of the JV Company was last made on 27 July 2018 while the timeframe is subject to the said regulator’s approval
c. Expanding its money lending business	HK\$150,000,000	HK\$150,000,000	HK\$0	Not applicable
d. Engaging in private equity investments	HK\$12,000,000	HK\$12,000,000	HK\$0	Not applicable

Intended use of the proceeds as previously disclosed	Approximate amount to apply on the proceeds as previously disclosed	Utilized proceeds on the intended use during the six months ended 30 September 2022	Unutilized proceeds as at 30 September 2022	Expected timeline for the use of unutilized proceeds and reasons for delay
e. Proprietary trading	HK\$5,000,000	HK\$5,000,000	HK\$0	Not applicable
f. Strengthening the capital base of wealth management business	HK\$2,000,000	HK\$2,000,000	HK\$0	Not applicable
g. Strengthening the capital base of corporate financing business	HK\$2,000,000	HK\$2,000,000	HK\$0	Not applicable
h. General working capital	HK\$34,000,000	HK\$34,000,000	HK\$0	Not applicable

Tranche 2 of the Convertible Bonds to Riverhead Capital

Intended use of the proceeds as previously disclosed	Approximate amount to apply on the proceeds as previously disclosed	Utilized proceeds on the intended use during the six months ended 30 September 2022	Unutilized proceeds as at 30 September 2022	Expected timeline for the use of unutilized proceeds
a. Further expanding the margin financing business	HK\$50,000,000	HK\$50,000,000	HK\$0	Not applicable
b. Further strengthening the underwriting business	HK\$10,000,000	HK\$10,000,000	HK\$0	Not applicable

Tranche 3 of the Convertible Bonds to Riverhead Capital

Intended use of the proceeds as previously disclosed	Approximate amount to apply on the proceeds as previously disclosed	Utilized proceeds on the intended use during the six months ended 30 September 2022	Unutilized proceeds as at 30 September 2022	Expected timeline for the use of unutilized proceeds
a. Further strengthening the proprietary trading business	HK\$36,000,000	HK\$36,000,000	HK\$0	Not applicable
b. Further engagement in private equity investments	HK\$12,000,000	HK\$12,000,000	HK\$0	Not applicable
c. For the asset management business to be used as seed money to the existing funds and/or new funds	HK\$12,000,000	HK\$12,000,000	HK\$0	Not applicable

ADJUSTMENT TO THE CONVERTIBLE BONDS

As at 16 October 2020, which is the date for convening the EGM for the Shareholders' approval for the share consolidation of the Company (the "**Share Consolidation**"), the outstanding convertible bonds of the Company were the tranche 3 of the Convertible Bonds to Riverhead Capital (the "**Outstanding Convertible Bonds**"), with an aggregate principal amount of HK\$21,000,000, which were convertible into 350,000,000 shares of par value of HK\$0.01 each in the share capital of the Company (the "**Existing Shares**") at the conversion price of HK\$0.06 per Existing Share. As a result of the Share Consolidation and in accordance with the terms and conditions of the convertible bonds of the Company, effective from the close of business on Monday, 19 October 2020, the following adjustment (the "**CB Adjustment**") were made to the conversion price of the Outstanding Convertible Bonds and the number of consolidated shares falling to be issued upon the exercise of the conversion rights attaching to the Outstanding Convertible Bonds:

Immediately before the CB Adjustment becoming effective		Immediately after the CB Adjustment becoming effective	
Number of Existing Shares to be issued upon full conversion of the Outstanding Convertible Bonds	Conversion price per Existing Share	Number of consolidated shares to be issued upon full conversion of the Outstanding Convertible Bonds	Conversion price per consolidated share
350,000,000	HK\$0.06	35,000,000	HK\$0.60

Grant Thornton Hong Kong Limited, Certified Public Accountants, reviewed the above adjustments and confirmed that the calculation of the CB Adjustment was made in accordance with terms and conditions of the convertible bonds of the Company.

Save for the CB Adjustment, all the other terms and conditions of the convertible bonds of the Company remain unchanged.

SIGNIFICANT INVESTMENT

As at 30 September 2022, the Group held financial assets at fair value through profit or loss of approximately HK\$2,706,000 (as at 31 March 2022: approximately HK\$5,391,000), with net losses on these financial instruments at approximately HK\$450,000 (six months ended 30 September 2021: approximately HK\$2,989,000).

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition or disposal of the Group during the Period.

CONTINGENT LIABILITIES

As at 30 September 2022, the Group had no material contingent liabilities (as at 31 March 2022: nil).

CHARGE ON THE GROUP'S ASSET

No asset of the Group was subject to any charge as at 30 September 2022 (as at 31 March 2022: nil).

RISK MANAGEMENT

The Group has properly put in place credit management policies which cover the examination of the approval of client's trading and credit limits, regular review of facilities granted, monitoring of credit exposures and the follow up of credit risks associated with overdue debts. The policies are reviewed and updated regularly.

FOREIGN CURRENCY FLUCTUATION

During the Period, the Group mainly used Hong Kong dollars to carry out its business transactions. The Board considers that the Group's foreign currency exposure is insignificant.

HUMAN RESOURCES

As at 30 September 2022, the Group had 62 employees in total (as at 31 March 2022: 69 employees). The related employees' costs for the Period (excluding Directors' remunerations) amounted to approximately HK\$18,164,000 (six months ended 30 September 2021: approximately HK\$19,739,000). The Group remunerated employees based on the industry practice and individual's performance. Staff benefits include contributions to retirement benefit scheme, medical allowance and other fringe benefits. In addition, the Group maintains the share option scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions.

EVENTS AFTER THE REPORTING PERIOD

Change of Company Names

On 13 September 2022, the Board proposed to change the English name of the Company from “China Fortune Financial Group Limited” to “GoFintech Innovation Limited” and the dual foreign name of the Company from “中國富強金融集團有限公司” to “國富創新有限公司” (the “**Change of Company Name**”). The Board considered that the Change of Company Name would better reflect the Group’s direction of future development and provide the Company with enhanced corporate image and clearer identity. The Change of Company Name was approved by the shareholders at the extraordinary general meeting held by the Company on 14 October 2022. For details, please refer to the announcements of the Company dated 13 September 2022 and 14 October 2022 and the circular dated 20 September 2022 relating to the proposed Change of Company Name.

The Company will make further announcement(s) to inform the Shareholders of, among other matters, the effective date of the Change of Company Name and the new stock short names of the Company for trading of its shares on the Stock Exchange and other relevant information as and when appropriate.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance

The Company’s commitment to the highest standards of corporate governance is driven by the Board which, led by the chairman of the Company, assumes overall responsibility for the governance of the Company, taking into account of the interests of the Shareholders, the development of its business and the changing external environment.

The Company believes that good corporate governance is fundamental in ensuring that the Company is well managed in the interests of all of its Shareholders.

The Company has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules.

Corporate Governance Code Compliance

Throughout the Period, the Company has complied with all code provisions and, where appropriate, met the recommended best practices of the CG Code.

Directors' Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Period.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities throughout the Period.

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the Period.

Review of Interim Financial Information

The interim financial information of the Group for the Period has been reviewed by BDO Limited, the Company's external auditor.

The Audit Committee comprises four independent non-executive Directors, namely, Mr. CHIU Kung Chik (chairman of the Audit Committee), Mr. CHAN Kin Sang, Mr. LI Gaofeng and Mr. ZHAO Gen.

The Audit Committee has reviewed, together with the management, the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including the review of the unaudited interim financial information of the Group for the Period.

By order of the Board of
China Fortune Financial Group Limited
LIU Zhiwei
Chairman and Executive Director

Hong Kong, 29 November 2022

As at the date of this announcement, the Board consists of three executive Directors, namely Dr. LIU Zhiwei (Chairman), Ms. SUN Qing and Mr. LIU Haoyuan; one non-executive Director, namely Mr. HAN Hanting; and four independent non-executive Directors, namely Mr. CHAN Kin Sang, Mr. CHIU Kung Chik, Mr. LI Gaofeng and Mr. ZHAO Gen.