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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)

ANNOUNCEMENT OF AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

RESULTS

Reference is made to the announcement of Goldstone Investment Group Limited (the “**Company**” which together with its subsidiaries is collectively referred to as the “**Group**”) dated 31 March 2022, in relation to the unaudited annual results of the Group for the year ended 31 December 2021 (the “**2021 Unaudited Annual Results**”). Terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

The Board is pleased to announce that the Company’s auditor, HLM CPA Limited (the “**Auditor**”), has completed its audit of the annual results of the Group for the year ended 31 December 2021 (the “**2021 Audited Annual Results**”) in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. As at the date of this announcement, the 2021 Audited Annual Results have been reviewed by the audit committee of the Company and approved by the Board.

The consolidated annual results for the year ended 31 December 2021 (the “Year”) of the Group, together with comparative figures for the year ended 31 December 2020 as follows:

MATERIAL DIFFERENCES BETWEEN THE UNAUDITED AND AUDITED ANNUAL RESULTS

Taking into account that the financial information contained in the 2021 Unaudited Annual Results was unaudited as at the date of its publication and subsequent adjustments have been made to such information, the shareholders and potential investors of the Company are advised to pay attention to the material differences between the 2021 Unaudited Annual Results and 2021 Audited Annual Results of the Group for the year ended 31 December 2021. Set forth below are the principal details and reasons for the material differences:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 Audited Annual Results <i>HK\$</i>	2021 Unaudited Annual Results <i>HK\$</i>	Differences <i>HK\$</i>	<i>Notes</i>
Revenue	–	–		
Net (loss) gain on financial assets at fair value through profit or loss	(10,084,232)	102,818	(10,187,050)	1
Net other income, gains and losses	103,684	103,684	–	
Administrative and other operating expenses	<u>(16,827,459)</u>	<u>(16,827,459)</u>	–	
Loss from operations	(26,808,007)	(16,620,957)	(10,187,050)	
Finance costs	<u>(15,035,263)</u>	<u>(15,035,263)</u>	–	
Loss before tax	(41,843,270)	(31,656,220)	(10,187,050)	
Income tax expense	<u>–</u>	<u>–</u>	–	
Loss for the year and total comprehensive expenses attributable to owners of the Company	<u><u>(41,843,270)</u></u>	<u><u>(31,656,220)</u></u>	(10,187,050)	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2021	2021		<i>Notes</i>
	Audited	Unaudited		
	Annual	Annual		
	Results	Results	Differences	
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	
Non-current assets				
Furniture, fixtures and equipment	–	–	–	
Financial assets at fair value through profit or loss	4,612,939	4,612,939	–	
Rental deposit	–	–	–	
Right-of-use assets	–	–	–	
	<u>4,612,939</u>	<u>4,612,939</u>	–	
Current assets				
Financial assets at fair value through profit or loss	106,733,643	116,920,693	(10,187,050)	1
Rental deposit	67,813	67,813	–	
Other receivables, deposits and prepayments	391,022	391,022	–	
Cash and bank balances	<u>7,745,057</u>	<u>7,745,057</u>	–	
	<u>114,937,535</u>	<u>125,124,585</u>	(10,187,050)	
Current liabilities				
Creditors and accrued expenses	5,419,533	5,419,533	–	
Unsecured borrowings	25,891,997	25,891,997	–	
Corporate bonds	33,718,173	33,718,173	–	
Convertible bonds	53,571,133	53,571,133	–	
Lease liabilities	<u>9,067,741</u>	<u>9,067,741</u>	–	
	<u>127,668,577</u>	<u>127,668,577</u>	–	
Net current liabilities	<u>(12,731,042)</u>	<u>(2,543,992)</u>	(10,187,050)	
Total assets less current liabilities	<u>(8,118,103)</u>	<u>2,068,947</u>	(10,187,050)	

	2021 Audited Annual Results <i>HK\$</i>	2021 Unaudited Annual Results <i>HK\$</i>	Differences <i>HK\$</i>	<i>Notes</i>
Non-current liabilities				
Corporate bonds	47,397,321	47,397,321	–	
Lease liabilities	–	–	–	
	<u>47,397,321</u>	<u>47,397,321</u>	–	
NET LIABILITIES	<u>(55,515,424)</u>	<u>(45,328,374)</u>	(10,187,050)	
Capital and reserves				
Share capital	27,052,735	27,052,735	–	
Reserves	<u>(82,568,159)</u>	<u>(72,381,109)</u>	(10,187,050)	
CAPITAL DEFICIENCY	<u>(55,515,424)</u>	<u>(45,328,374)</u>	(10,187,050)	

Notes:

1. The change resulted from fair value downward adjustments for the investment in the unlisted investment funds of approximately HK\$10,187,000 with reference to audited net asset value.

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

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	2021 HK\$	2020 <i>HK\$</i>
Revenue	(4)	–	–
Net loss on financial assets at fair value through profit or loss	(6)	(10,084,232)	(5,794,542)
Net other income, gains and losses	(4)	103,684	1,151,798
Administrative and other operating expenses		<u>(16,827,459)</u>	<u>(21,757,565)</u>
Loss from operations	(7)	(26,808,007)	(26,400,309)
Finance costs	(8)	<u>(15,035,263)</u>	<u>(9,901,282)</u>
Loss before tax		(41,843,270)	(36,301,591)
Income tax expense	(9)	<u>–</u>	<u>–</u>
Loss for the year and total comprehensive expenses attributable to owners of the Company		<u>(41,843,270)</u>	<u>(36,301,591)</u>
Loss per share			
Basic and diluted (<i>HK cents</i>)	(11)	<u>(1.97)</u>	<u>(2.01)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

		2021	2020
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
Non-current assets			
Furniture, fixtures and equipment		–	–
Financial assets at fair value through profit or loss	(12)	4,612,939	4,535,340
Rental deposit	(13)	–	60,693
Right-of-use assets		–	–
		<u>4,612,939</u>	<u>4,596,033</u>
Current assets			
Financial assets at fair value through profit or loss	(12)	106,733,643	448,000
Rental deposit	(13)	67,813	–
Other receivables, deposits and prepayments	(13)	391,022	87,711
Cash and bank balances		7,745,057	168,180
		<u>114,937,535</u>	<u>703,891</u>
Current liabilities			
Creditors and accrued expenses		5,419,533	11,704,868
Unsecured borrowings	(14)	25,891,997	37,706,111
Corporate bonds	(15)	33,718,173	6,970,152
Convertible bonds	(16)	53,571,133	–
Lease liabilities		9,067,741	8,188,237
		<u>127,668,577</u>	<u>64,569,368</u>
Net current liabilities		<u>(12,731,042)</u>	<u>(63,865,477)</u>
Total assets less current liabilities		<u>(8,118,103)</u>	<u>(59,269,444)</u>

	<i>Notes</i>	2021 HK\$	2020 HK\$
Non-current liabilities			
Corporate bonds	(15)	47,397,321	69,086,340
Lease liabilities		<u>–</u>	<u>1,193,245</u>
		47,397,321	70,279,585
NET LIABILITIES		<u>(55,515,424)</u>	<u>(129,549,029)</u>
Capital and reserves			
Share capital	(17)	27,052,735	22,544,485
Reserves		<u>(82,568,159)</u>	<u>(152,093,514)</u>
CAPITAL DEFICIENCY		<u>(55,515,424)</u>	<u>(129,549,029)</u>
Net liability value per share	(18)	<u>(0.0257)</u>	<u>(0.0718)</u>

NOTES:

1. GENERAL INFORMATION

The Company is incorporated in the Cayman Islands with limited liability and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and its ultimate holding company is APAC Investment Holdings Limited (incorporated in Samoa). Its ultimate controlling party is Mr. Hu Haisong (“**The Ultimate Controlling Party**”). The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is at Room 901, Sing Ho Finance Building, 166–168 Gloucester Road, Wan Chai, Hong Kong.

The Group is principally engaged in investment holdings and trading of financial assets at fair value through profit or loss (“**FVTPL**”).

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company. It is authorised for issue by the Board of Directors on 18 May 2022.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

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

Going Concern

For the year ended 31 December 2021, the Group incurred a net loss of approximately HK\$41,843,000 and as at that date, the Group recorded net current liabilities of approximately HK\$12,731,000 and net liabilities of approximately HK\$55,515,000 while its cash and cash equivalents amounted to approximately HK\$7,745,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the directors of the Company have given careful consideration to future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to repay the outstanding borrowings and be able to finance its future working capital and finance requirements. Certain measures have been taken to manage its liquidity needs and to improve its financial position which include, but are not limited to, the following:

- (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) 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;

- (iv) The Group will seek to obtain additional new financial support including but not limited to borrow loans, issue additional equity or debt securities; and
- (v) 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.

The directors of the Company have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the date of this report taking into account the impact of the above measures. The directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the consolidated financial statements for the year ended 31 December 2021 have been prepared on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future 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 adjustments has not been reflected in the consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments ²
Accounting Guideline 5 (revised)	Merger Accounting for Common Control Combinations ²
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective date to be determined.

The directors of the Company anticipate that the application of these new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE AND NET OTHER INCOME, GAINS AND LOSSES

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

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Revenue	–	–
Other income, gains and losses:		
Income from office sharing	–	67,500
Exchange loss, net	(114,103)	(128,887)
Imputed interest income on rental deposit	7,120	317,519
Government subsidies	–	216,000
Waiver of directors' remuneration	–	675,484
Sundry income	210,667	4,182
	103,684	1,151,798

5. SEGMENT INFORMATION

Business segments

The directors of the Company consider that the Group only has single business segment, i.e. investment in financial assets at FVTPL. It is not considered meaningful to provide a business segment analysis of financial performance.

Geographical segments

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

	2021		
	Singapore HK\$	Hong Kong HK\$	Total HK\$
Segment assets	4,612,939	114,478,700	119,091,639
Unallocated assets			458,835
			<hr/>
Total assets			119,550,474
			<hr/> <hr/>
Segment liabilities	–	160,578,624	160,578,624
Unallocated liabilities			14,487,274
			<hr/>
Total liabilities			175,065,898
			<hr/> <hr/>
	2020		
	Singapore HK\$	Hong Kong HK\$	Total HK\$
Segment assets	4,535,340	616,180	5,151,520
Unallocated assets			148,404
			<hr/>
Total assets			5,299,924
			<hr/> <hr/>
Segment liabilities	–	113,762,603	113,762,603
Unallocated liabilities			21,086,350
			<hr/>
Total liabilities			134,848,953
			<hr/> <hr/>

6. NET LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Unrealised (loss) gain arising on fair value changes of listed equity investments	(390,656)	448,000
Unrealised gain (loss) arising on fair value changes of unlisted equity investment	194,689	(6,242,542)
Unrealised loss arising on fair value change of unlisted investment fund	(7,131,265)	–
Realised loss arising on redemption of unlisted investment fund	(2,757,000)	–
	<u>(10,084,232)</u>	<u>(5,794,542)</u>

7. LOSS FROM OPERATIONS

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Loss from operations has been arrived at after charging (crediting):		
Auditor's remuneration	290,000	250,000
Investment management fee	270,000	–
Depreciation of right-of-use assets	–	1,208,489
Exchange loss, net	114,103	128,887
Imputed interest income on rental deposit	(7,120)	(317,519)
Impairment losses on right-of-use assets	–	8,241,405
Net loss on financial assets at FVTPL	10,084,232	5,794,542
Lease payments for short-term leases not included in the measurement of lease liabilities	52,492	348,215
Directors' remuneration and staff costs		
– salaries, allowance and other benefits in kind	5,748,370	9,149,644
– contributions to MPF Scheme	122,250	94,725
	<u>5,748,370</u>	<u>9,149,644</u>
	<u>122,250</u>	<u>94,725</u>

8. FINANCE COSTS

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Interest on:		
– Loans from a director	–	72,269
– Loans from the Ultimate Controlling Party	–	369,744
– Loans from a licensed money lending company	12,287	800,000
– Loans from third parties	1,306,799	1,770,331
– Overdue rent and management fee	107,416	25,920
– Overdue corporate bonds	15,090	–
	<u>1,441,592</u>	<u>3,038,264</u>
Effective interest on corporate bonds	5,984,002	5,966,080
Effective interest on convertible bonds	7,181,233	–
Imputed interest on lease liabilities	428,436	896,938
	<u>15,035,263</u>	<u>9,901,282</u>

9. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made for both years as the Group did not have any assessable profits.

At the end of the reporting period, the Group has estimated unrecognised tax losses of approximately HK\$279,850,000 (2020: approximately HK\$249,691,000) to set off against future taxable income. No deferred tax asset is recognised in respect of such tax losses carried forward as the realisation of the related tax benefit through future taxable profits could not be reasonably assessed. The tax losses do not have expiry date under the current tax legislation. The Group had no material unprovided deferred tax liabilities at the end of the reporting period (2020: HK\$Nil).

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year, nor has any dividend been proposed since the end of the year (2020: HK\$Nil).

11. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Loss		
Loss for the year attributable to owners of the Company	<u>41,843,270</u>	<u>36,301,591</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>2,122,714,619</u>	<u>1,803,558,784</u>

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company, and the weighted average number of shares 2,122,714,619 ordinary shares (2020: 1,803,558,784) in issue.

For the year ended 31 December 2021, the computation of diluted loss per share has not assumed the conversion of the Company's outstanding convertible bonds since their exercise would result in a decrease in loss per share.

The amount of diluted loss per share was the same as basic loss per share because the Company had no potential ordinary shares outstanding for the year ended 31 December 2020.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Non-current asset:		
– Unlisted equity investments	<u>4,612,939</u>	<u>4,535,340</u>
Current assets:		
– Listed equity investments	57,344	448,000
– Unlisted investment funds	<u>106,676,299</u>	–
	<u>106,733,643</u>	<u>448,000</u>

The Group had the following investments:

As at 31 December 2021

Notes	Name of investee company	Place of registration/ incorporation	Number of shares held	Effective shareholding interest	Carrying amount HK\$	Unrealised gain (loss) arising on revaluation HK\$	Exchange loss 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
(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	388,864	-	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%

As at 31 December 2020

Notes	Name of investee company	Place of registration/ incorporation	Number of shares held	Effective shareholding interest	Carrying amount HK\$	Unrealised gain (loss) arising on revaluation HK\$	Exchange loss 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
(a)	E-Com Holdings Pte. Ltd.	Singapore	1,259,607	23.70%	10,906,777	(6,242,542)	(128,895)	4,535,340	5,651,670	-	85.57%
(b)	State Energy Group International Assets Holdings Limited	Bermuda	896,000	less than 1%	-	448,000	-	448,000	48,384	-	8.45%

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 (2020: HK\$nil).

For the year ended 31 December 2021, the unaudited consolidated net profit was approximately S\$623,000 (equivalent to approximately HK\$3,605,000) (2020: audited consolidated net profit approximately S\$746,000, equivalent to approximately HK\$4,198,000). As at 31 December 2021, its unaudited consolidated net assets were approximately S\$4,615,000 (equivalent to approximately HK\$26,386,000) (2020: audited consolidated net assets approximately S\$4,434,000, equivalent to approximately HK\$26,013,000).

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 31 December 2020, the carrying amount of the Group’s interest in the shares of E-Com exceeded 10% of the total assets of the Group.

As at 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 (2020: HK\$Nil). State En Assets' shares trading has been suspended on 1 February 2019 and been resumed trading on 7 December 2020.

For the period ended 30 September 2021, the unaudited consolidated net profit attributable to the owners of State En Assets was approximately HK\$9,315,000 (31 March 2021: audited consolidated net profit approximately HK\$10,250,000) and the basic earnings per share was HK2.93 cents (31 March 2021: basic earnings per share was HK0.95 cents). At 30 September 2021, the unaudited consolidated net asset value was approximately HK\$324,053,000 (31 March 2021: audited consolidation net assets approximately HK\$116,262,000).

As at 31 December 2021 and 2020, 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 31 December 2021, 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 year, the Company did not receive any cash dividend from HF Fund. For the year ended 31 December 2021, the audited decrease in net assets of HF Fund was approximately HK\$9,815,000. As at 31 December 2021, its audited net assets were approximately HK\$106,676,000 and 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 31 December 2021 and 2020 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 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 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 31 December 2021 and 2020.

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Non-current asset		
Rental deposit	–	60,693
Current assets		
Other receivables	2,317,465	2,317,265
Less: allowance for credit loss	(2,317,127)	(2,317,127)
	338	138
Rental deposit	67,813	–
Rental and utility deposits	3,350	3,250
Prepayments	387,334	84,323
	458,835	87,711

14. UNSECURED BORROWINGS

	<i>Notes</i>	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Current liabilities			
– Loans from a director	a	72,269	72,269
– Loan from a licensed money lending company	b	–	8,587,713
– Loans from third parties	c	25,819,728	29,046,129
		25,891,997	37,706,111

Notes:

(a) Loans from a director

During the year, there were loans advanced from a director of HK\$800,000 (2020: HK\$3,300,000) and loan interest payable as at 31 December 2021 of approximately HK\$72,000 (2020: HK\$72,000). The loans were obtained from a director, Dr. Xiao Yanming (“**Dr. Xiao**”), on an unsecured basis and repayable within one year.

(b) Loan from a licensed money lending company

The loan was due to an independent licensed money lending company, bearing a fixed interest rate at 10% per annum for a term of one year. The effective interest rate was 11.23% per annum. The amount was fully repaid during the year ended 31 December 2021.

(c) Loans from third parties

The loans were due to independent third parties, bearing fixed interest rate at 6% to 16% (2020: 6% to 16%) per annum. The effective interest rate was in the range of 8.78% to 16% (2020: 8.78% to 16%) per annum.

15. CORPORATE BONDS

The corporate bonds (“**Bond(s)**”) recognised in the consolidated statement of financial position were calculated as follows:

	Unlisted bond ("Bond I") HK\$	Unlisted bond ("Bond II") HK\$	Unlisted bond ("Bond III") HK\$	Unlisted bond ("Bond IV") HK\$	Unlisted bond ("Bond V") HK\$	Unlisted bond ("Bond VI") HK\$	Unlisted bond ("Bond VII") HK\$	Unlisted bond ("Bond VIII") HK\$	Total HK\$
At 1 January 2020	10,437,893	2,777,214	9,461,790	9,921,703	9,669,831	9,483,195	9,368,092	8,970,694	70,090,412
Effective interest expenses	806,643	294,522	1,009,581	858,938	644,722	668,342	986,052	697,280	5,966,080
At 31 December 2020 and 1 January 2021	11,244,536	3,071,736	10,471,371	10,780,641	10,314,553	10,151,537	10,354,144	9,667,974	76,056,492
Effective interest expenses	701,765	310,102	1,043,663	871,558	655,048	681,046	1,007,570	713,250	5,984,002
Interest paid	-	(225,000)	-	(700,000)	-	-	-	-	(925,000)
At 31 December 2021	11,946,301	3,156,838	11,515,034	10,952,199	10,969,601	10,832,583	11,361,714	10,381,224	81,115,494
Analysed as:									
Current	11,946,301	3,156,838	11,515,034	700,000	1,500,000	1,500,000	2,400,000	1,000,000	33,718,173
Non-current	-	-	-	10,252,199	9,469,601	9,332,583	8,961,714	9,381,224	47,397,321
Total	11,946,301	3,156,838	11,515,034	10,952,199	10,969,601	10,832,583	11,361,714	10,381,224	81,115,494

The effective interest rate of the Bond I, II, III, IV, V, VI, VII and VIII are 8.63%, 21.58%, 10.73%, 8.85%, 6.99%, 7.38%, 11.22% and 8.00% per annum respectively.

16. CONVERTIBLE BONDS

Convertible bonds (the “**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 following key inputs and data were applied in the Convertible Bonds at the date of issuance.

	At 22 January 2021
Share price	HK\$0.28
Conversion price	HK\$0.30
Risk-free rate	0.10%
Annualised volatility	114.82%
	2021
	<i>HK\$</i>
Equity component	
Fair value at the date of issuance	<u>3,120,000</u>
Liability component	
At the date of issuance	46,389,900
Effective interest expenses charged to consolidated statement of profit or loss	<u>7,181,233</u>
At 31 December 2021	<u>53,571,133</u>
Analysis as:	
Current portion	<u>53,571,133</u>

17. SHARE CAPITAL

	Number of ordinary shares of HK\$0.0125 each	HK\$
Authorised:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	80,000,000,000	1,000,000,000
	Number of shares	HK\$
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 1 January 2021	1,803,558,784	22,544,485
Issue of shares upon placement shares (<i>note</i>)	360,660,000	4,508,250
At 31 December 2021	2,164,218,784	27,052,735

Note:

The Company has completed the placing agreement on 4 January 2021. A total of 90,140,000 new shares representing approximately 4.76% of the total issued share capital of the Company have been successfully placed.

The Company has completed the placing agreement on 25 February 2021. A total of 270,520,000 new shares representing approximately 12.50% of the total issued share capital of the Company have been successfully placed.

18. NET LIABILITY VALUE PER SHARE

As at 31 December 2021 and 2020, the net liability value per share of the Company was HK\$0.0257 and HK\$0.0718 respectively. The net liability value per share is calculated by dividing the net liabilities in the consolidated financial position of approximately HK\$55,515,000 (2020: approximately HK\$129,549,000) by the number of 2,164,218,784 (2020: 1,803,558,784) ordinary shares in issue at 31 December 2021.

19. PLEDGE OF ASSETS

At the end of the reporting period, no margin facility (2020: HK\$Nil) from a regulated securities broker was granted to the Group under which financial assets at FVTPL of approximately HK\$57,000 (2020: HK\$448,000) were treated as collateral for the facilities granted.

20. RELATED PARTY DISCLOSURES

(a) Transactions

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

Name of related party	Nature of transaction	2021 HK\$	2020 HK\$
Evergrande Securities (Hong Kong) Limited	Investment management fee	270,000	–
Dr. Xiao	Loan interest expenses	–	72,269
The Ultimate Controlling Party	Loan interest expenses	–	369,744
		<u> </u>	<u> </u>

On 22 January 2021, one of the substantial shareholders, Dragon Synergy Holdings Limited, subscribed 8% convertible bonds issued by the Group amounting to HK\$2,004,000. During the year ended 31 December 2021, relevant effective interest on convertible bonds is approximately HK\$288,000.

(b) Balances

At the end of the reporting period, the amounts due from/(to) related parties are as follows:

Name of related party	Nature of balance	2021 HK\$	2020 HK\$
Dr. Xiao	Loan interest incurred from a director	(72,269)	(72,269)
		<u> </u>	<u> </u>

(c) Compensation of key management personnel

Remuneration for key management personnel, including amounts paid to the directors of the Company is as follows:

	2021 HK\$	2020 HK\$
Directors' fee	2,699,667	4,022,334
Salaries, allowance and other benefits in kind	–	1,102,333
Discretionary bonuses	49,658	568,000
Contributions to MPF Scheme	58,100	33,300
	<u>2,807,425</u>	<u>5,725,967</u>

21. EVENTS AFTER THE REPORTING PERIOD

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. At the hearing on 27 April 2022, the Court directed that the hearing of the Petition be adjourned to 8 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Goldstone Investment Group Limited is an investment holding company. The Company's investment instruments are to be made in the form of an 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.

The year 2021 was another year full of challenges, difficulties and unpredictability. The global financial markets are impacted by the COVID-19 pandemic severely across the stock, bond and commodity (including crude oil and gold) markets. The continuous pandemic hits the market hard, and the world faces the triple problems of pandemic, economic recovery and inflation. US dollar index rises to 95.67 from 89.93, closed almost at 2021 high and high inflation triggers interest rate hike expectations in 2022. Ten-year US Treasury yields hit 1.90 per cent, their highest since March 2020, as investor expectations for the Federal Reserve to tighten monetary policy were peaked. A surge in US bond yields has weighed on risk assets around the world, while expectations of tighter liquidity have kept investors cautious about current financial assets.

In China, due to the rapid rise in commodity prices in 2021, China's PPI index rose significantly in the second half of 2021, and the CPI index will continue to be suppressed due to the sharp drop in pork prices. As the epidemic continues to disrupt the global economy, China's exports remained to be strong in 2021, creating conditions for performed industrial enterprises to resume production. In 2021, consumer companies generally perform poorly, with rising raw material costs and reduced profits. There were two reserve requirement ratio cuts in the second half of 2021 and RMB continues to appreciate. There is a possibility that China's monetary policy will continue to ease in the future.

On the whole, in 2021, when the pandemic continues and the Delta and Omicron mutated viruses continue to intervene in the recovery, however, looking ahead the coming year, the global vaccination rate and the strength of the economic recovery will exceed expectations, while inflation will also exceed expectations.

During the Year, 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 31 December 2021, the Company's investment portfolio was diversified across different business sectors including education, investment in equity and debt securities.

BUSINESS REVIEW

At the end of the reporting period, the Company's investment performances were as follows:

1. Net unrealised loss arising on fair value changes of listed equity investments, unlisted equity investments and investment fund was approximately HK\$7,327,000 (2020: unrealised loss approximately HK\$5,794,000).
2. Net realised loss arising on disposal of unlisted investment fund invested in the portfolio of Hong Kong listed shares was approximately HK\$2,757,000 (2020: Nil).

The net loss attributable to owners of the Company was approximately HK\$41,843,000, an increase of approximately HK\$5,541,000 from the loss of approximately HK\$36,302,000 in the last financial year.

The increase in loss position was mainly attributable to the increase in net loss on financial assets at fair value through profit or loss of approximately HK\$4,290,000, decrease in net other income, gains and loss HK\$1,048,000, the decrease in administrative cost of approximately HK\$4,930,000 and increase in finance costs of approximately HK\$5,134,000 respectively.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure

As at 31 December 2021, the Group has cash and cash equivalents of approximately HK\$7,745,000 (2020: approximately HK\$168,000). The cash was deposited with banks in Hong Kong and mainly denominated in Hong Kong dollars. As at 31 December 2021 the audited consolidated net liabilities value of the Group was approximately HK\$55,515,000 (2020: approximately HK\$129,549,000) with audited consolidated net liabilities value per share of HK\$0.0257 (2020: HK\$0.0718). 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 Year.

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

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 31 December 2021
Fixed Income Product A	HK\$12,000,000	Amazing Auction Limited (fixed income product collateralised by antiques)	HK\$11,890,574

(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. 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 31 December 2021
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\$32,166,806

(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 31 December 2021
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\$27,691,989

(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 31 December 2021
Private Bond Investment Product C	HK\$25,000,000	CAM SPC Omega SP (its underlying assets are related to ESG, waste management)	HK\$24,319,662

(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 31 December 2021:

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	(109,426)	11,890,574	N/A	-	9.95%
- Private Bond Investment Product A in CAM SPC Alpha SP		N/A	N/A	32,000,000	166,806	32,166,806	N/A	-	26.91%
- Private Bond Investment Product B in CAM SPC CNNC SP		N/A	N/A	28,000,000	(308,011)	27,691,989	N/A	-	23.16%
- Private Bond Investment Product C in CAM SPC Omega SP		N/A	N/A	25,000,000	(680,338)	24,319,662	N/A	-	20.34%

(ii) Realised loss on disposal of unlisted investment fund invested in Hong Kong listed shares

The realised losses of approximately HK\$2,757,000 principally represented:

Investment portfolio	Name of principal underlying investee company	Initial investment costs	Disposal consideration	Realised losses
Unlisted fund invested in shares listed in Hong Kong	Core Economy Investment Group Limited (stock code: 339)	HK\$28,255,000	HK\$25,498,000	HK\$2,757,000

FUND RAISING ACTIVITIES

Placing of ordinary shares

The Company has completed the placing of 90,140,000 and 270,520,000 new ordinary shares of the Company under the general mandate of the Company on 4 January 2021 and 25 February 2021 respectively. The details have been set out as per below:

Date of announcements	Events	Number of shares placed	Placing price	Gross proceeds raised	Net proceeds raised
9 December 2020 and 4 January 2021	Placing of 90,140,000 new shares of the Company under the general mandate of the Company, which was granted to the Directors by the shareholders of the Company at the Company's annual general meeting held on 10 June 2020.	90,140,000 new shares of the Company	HK\$0.28 per placing share	HK\$25.2 million	HK\$24.4 million
9 February 2021 and 25 February 2021	Placing of 270,520,000 new shares of the Company under the general mandate of the Company, which was granted to the Directors by the shareholders of the Company at the Company's annual general meeting held on 10 June 2020.	270,520,000 new shares of the Company	HK\$0.33 per placing share	HK\$89.3 million	HK\$88.4 million

To the best knowledge, information and belief of the Company having made such reasonable enquiry and as informed by the placing agent, each of the placees and their respective ultimate beneficial owners are independent third parties and not connected with the Company and its connected persons as at the date of completion. The placees are professional investors and a placee of 270,520,000 new ordinary shares, Dragon Synergy Holdings Limited, has become a substantial shareholder of the Company immediately after completion.

Placing of convertible bonds

The Company has completed the placing of the 8% 1-year convertible bonds of an aggregate principal amount of approximately HK\$50,010,000 to subscribe for 166,700,000 new ordinary shares of the Company under the special mandate of the Company on 22 January 2021. The details have been set out as per below:

Date of announcements	Events	Number of shares to be allotted and issued upon the exercise of convertible bonds	Conversion price	Gross proceeds raised	Net proceeds raised
10 September 2020 and 22 January 2021	Placing of approximately HK\$50,010,000 to subscribe for 166,700,000 new shares of the Company under the special mandate of the Company, which was granted to the Directors by the shareholders of the Company at the Company's extraordinary general meeting held on 13 November 2020.	166,700,000 new shares of the Company	HK\$0.30 per share	HK\$50.0 million	HK\$49.6 million

To the best knowledge, information and belief of the Company having made such reasonable enquiry and as informed by the placing agent, each of the placees and their respective ultimate beneficial owners are independent third parties and not connected with the Company and its connected persons as at the date of completion. The placees are professional investors.

Use of proceeds

The total net proceeds of approximately HK\$112,800,000 were raised from the placing of 90,140,000 and 270,520,000 new ordinary shares on 4 January 2021 and 25 February 2021 respectively as disclosed above was expected that the entire net proceeds will be utilised for the general working capital of the Group. The Company intends to use the net proceeds of approximately HK\$49,500,000 from the placing of the convertible bonds for (i) repayment of borrowings as to approximately HK\$38,000,000 and (ii) general working capital as to approximately HK\$11,600,000.

According to the announcement of the Company on 24 March 2021, in order to better deploy the resources of the Group, the Company to reallocate the net proceeds of approximately HK\$100,000,000 from the general working capital to investment projects.

The total net proceeds of approximately HK\$16,230,000 have been fully used, the following table set out the actual use of the net proceeds for the year ended 31 December 2021:

Use of proceeds	HK\$
General and administrative expenses	13,853,000
Repayment of debts and overdue payables	20,383,000
Investment	<u>128,031,000</u>
Total	<u><u>162,267,000</u></u>

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 amount of totally 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. 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;

4. The Group will seek to obtain additional new financial support including but not limited to borrow loans, issuing additional equity or debt securities; and
5. The Group will also seek to redeem some of its investment products as soon as practically feasible while trying to minimise the potential loss of value given the current adverse condition and challenging economic environment.

The directors of the Company have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the date of this result announcement taking into account the impact of the above measures, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the current year (2020: nil).

GEARING RATIO

The gearing ratio (total borrowings/total assets) as at 31 December 2021 was 141.90% (2020: 2,323.51%).

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 27 October 2021, the Company received a winding-up petition filed by loan creditor to the High Court of Hong Kong for the winding-up of the Company in relation to an outstanding debt in the sum of HK\$3,377,296, being the outstanding principal amounts of the loans in the sum of HK\$2,835,327 and the accrued interest in the sum of HK\$541,969. At the hearing on 3 May 2022, the High Court ordered the petition be dismissed.

On 22 February 2022, the Company received a winding-up petition filed by a holder of the Convertible Bonds (the “**Convertible Bond**”) 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. At the hearing on 27 April 2022, the Court directed that the hearing of the Petition be adjourned to 8 June 2022.

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 year ended 31 December 2021 as the alleged outstanding principal and interest amounts of the loans and the Convertible Bonds have already been recorded in the consolidated financial statements as at 31 December 2021.

CONTINGENT LIABILITIES

As at 31 December 2021, the Company did not have any contingent liabilities (2020: Nil).

PLEDGE OF ASSETS

At the end of the reporting period, no margin facility (2020: nil) from a regulated securities broker was granted to the Group under which financial assets at FVTPL of approximately HK\$57,000 (2020: approximately HK\$448,000) were treated as collateral for the facilities granted. No margin facility has been utilised by the Group at 31 December 2021 (2020: Nil).

FOREIGN EXCHANGE RISK

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 US\$ and the S\$. As the HK\$ is pegged to the US\$, the Group considers the risk of movements in exchange rates between the HK\$ and the US\$ to be insignificant. Accordingly, their fluctuation is excluded from the sensitivity analysis. If the exchange rate of HK\$ against S\$ has been increased/decreased by 5% (2020: 5%), the Group’s loss for the year would have been decreased/increased by approximately HK\$231,000 (2020: approximately HK\$227,000).

EVENT AFTER REPORTING PERIOD

Details of significant events occurring after the current financial year are set out in note 21 to the consolidated financial statement.

EMPLOYEES

As at 31 December 2021 the Group had 5 (2020: 4) employees. The total employees remuneration was approximately HK\$2,999,000 (2020: approximately HK\$3,457,000) for the current financial year. The Group's emolument policies are formulated based on the performance of individual employees and is reviewed regularly every year.

OUTLOOK

Looking ahead, the year 2022 will be another challenging year. Inflation has gradually emerged which was affected by the prolonged COVID-19 pandemic for several consecutive years, the global supply chain has been disrupted and economic recovery will be more difficult with the tightened monetary policy and worsened geo-political risks brought by the Russian Ukrainian war. The US Consumer Price Index in January 2022 rose 7.5% year-on-year, hitting a 40-year high. Ukraine crisis at a time when world capital markets were concerned about how global central banks could further tighten monetary policy amid downward pressure on the economy. The unstable political situation along the coast, coupled with the wrestling between the major powers of China and the United States in technology and financial field, caused the stock market to fluctuate. Investors are flocking to safe-haven assets, for example, 10-year US Treasury bonds, as market uncertainty increases due to the global situation. To strengthen Hong Kong's position as an important international financial centre, a major new initiative was announced by the Hong Kong Stock Exchange on 1 January 2022, as Hong Kong has thus become another capital market that has introduced a SPAC listing mechanism after the capital markets of the United States and Singapore. The first SPAC in Hong Kong has been approved for IPO recently.

In spite of the above, 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 optimize the investments in healthcare/biotech, green economy, new economy and high-tech, through professional, diversified and flexible approach with prudent risk management and control strategy, so as to bring 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 Listing Rules. During the Year, the Company has complied with all code provisions, and where applicable, certain recommended best practices set out in the CG Code except for code provisions C.1.6 of the CG Code as explained below.

As at the date of this report, the Company has complied with Rule 3.10(1), Rule 3.10(2), and Rule 3.10A of the Listing Rules. The Company has appointed three independent non-executive Directors, two of whom possess the requisite appropriate professional qualifications or accounting or related financial management expertise. The Board confirmed that the independence and eligibility of the independent non-executive Directors are in compliance with the relevant requirements of the Listing Rules.

Under the code provision C.1.6 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of members. All Directors are encouraged to attend the Company's general meetings and each Director makes every effort to attend. However, two independent non-executive Directors were unable to attend the annual general meeting held on 7 June 2021 due to other personal engagements.

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 Year.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Year, the Group did not purchase, sell or redeem any of the Company's own securities.

REVIEW OF ANNUAL RESULTS

The audit committee (the "**Audit Committee**") comprises four members and is currently consisting of two independent non-executive Directors, namely, Mr. Lai Kim Fung and Mr. Wong Yiu Kit, Ernest, and two non-executive Director, namely, Ms. Li Ye and Mr. Wong Tsz Wai. Mr. Wong Yiu Kit, Ernest is the chairman of the Audit Committee (with Mr. Lai Kim Fung and Mr. Wong Yiu Kit, Ernest possessing the appropriate professional qualifications and accounting and related financial management expertise). The primary duties of the Audit

Committee are to review and supervise the financial reporting process and internal control system of the Group, oversee the audit process, review and oversee the existing and potential risks of the Group and perform other duties and responsibilities as assigned by the Board.

The consolidated financial statements of the Group for the year ended 31 December 2021 had been reviewed, discussed and approved by the Audit Committee. Also, the figures in respect of this results announcement have been agreed by the Company's external auditors, the Auditor, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2021. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this results announcement.

EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2021.

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple material uncertainties relating to going concern

As disclosed in note 2 to the consolidated financial statements, the Group recorded a net loss of approximately HK\$41,843,000 for the year ended 31 December 2021 and, as of 31 December 2021, the Group had net current liabilities of approximately HK\$12,731,000 and net liabilities of approximately HK\$55,515,000 respectively while the Group's cash and cash equivalents was only approximately HK\$7,745,000. In addition, as at 31 December 2021, i) the principal amount and the interest of convertible bonds of approximately HK\$53,571,000 and ii) borrowings and related interests of approximately HK\$25,892,000 were defaulted in repayment. Up to the date of this report, corporate bonds and related interests of approximately HK\$33,718,000 were defaulted in repayment. Such default entitled the convertible bondholders, loan creditors and corporate bond holders a right to demand

immediate repayment from the Group. During the year and up to the date of this report, the Company received writs of summons from a convertible bondholder in relation to the default payments of the principal amount and the interest of convertible bonds of approximately HK\$43,196,000.

In view of such circumstances, the directors of the Company have been undertaking certain measures to improve the Group's liquidity and financial position, which are set out in note 2 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the outcome of these measures, which are subject to the following uncertainties, including, the Group is able to: (i) successfully obtain additional financing as and when required, and (ii) implement its operation plans for control costs and to generate adequate cash flow from operations.

These facts and circumstances indicate the existence of the uncertainties which may cast significant doubt on the Group's ability to continue as a going concern, and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for 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 adjustments has not been reflected in the consolidated financial statements.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY

The results announcement is required to be published on the websites of the Stock Exchange at www.hkexnews.hk under "Listed Company Information" and the website of the Company at <http://www.goldstoneinvest.com> respectively. The annual report of the Company for the year ended 31 December 2021 will be dispatched to the shareholders of the Company and published on the Stock Exchange's and the Company's 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, 18 May 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.