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## **Virtual Mind Holding Company Limited**

**天機控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1520)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022**

#### **SUMMARY**

For the six months ended 30 June 2022:

- revenue of the Group for the reporting period decreased by approximately 27.6% to approximately HK\$23,224,000 (2021: HK\$32,081,000) as a result of the spread of Omicron virus and the corresponding preventive and control measures imposed by the governments, economic activities in major economies and our operation were disrupted and dampened;
- gross profit for the six months ended 30 June 2022 was approximately HK\$6,199,000 (2021: HK\$2,423,000), increased by 155.8%. Apparel operation recorded gross loss of approximately HK\$1,863,000 (2021: HK\$3,028,000) while money lending operation earned gross profit of approximately HK\$8,062,000 (2021: HK\$5,451,000);
- the loss for the period attributable to owners of the Company was approximately HK\$40,992,000 (2021: HK\$20,522,000), increased by approximately 99.7%. The increase in the loss for the period attributable to owners of the Company was primarily due to decrease in revenue from apparel operation, and increase in provision for expected credit loss on loans and interest receivables and increase in administrative expenses respectively;
- the Board of Directors of the Company (the“Board”) did not recommend the payment of any interim dividend.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**

*For the six months ended 30 June 2022*

		<b>For the six months ended 30 June</b>	
		<b>2022</b>	2021
	<i>Notes</i>	<b>HK'000</b>	<i>HK'000</i>
<b>Revenue</b>	4	<b>23,224</b>	32,081
Cost of sales		<u>(17,025)</u>	<u>(29,658)</u>
<b>Gross profit</b>		<b>6,199</b>	2,423
Other income and gains	5	<b>1,267</b>	3,700
Reversal of expected credit loss on trade receivables		<b>85</b>	297
Provision for expected credit loss on loans and interest receivables		<b>(9,382)</b>	(1,106)
Selling and distribution expenses		<b>(929)</b>	(4,508)
Administrative expenses		<b>(37,838)</b>	(20,582)
Finance costs		<u>(369)</u>	<u>(122)</u>
<b>Loss before income tax</b>	6	<b>(40,967)</b>	(19,898)
Income tax expense	7	<u>—</u>	<u>(624)</u>
<b>Loss for the period</b>		<u><b>(40,967)</b></u>	<u>(20,522)</u>

		<b>For the six months ended 30 June</b>	
		<b>2022</b>	2021
<i>Notes</i>		<b><i>HK'000</i></b>	<i>HK'000</i>
<b>Other comprehensive income, net of tax attributable to the owners of the Company</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations		<u>(530)</u>	<u>170</u>
<b>Total comprehensive income for the period</b>		<u><b>(41,497)</b></u>	<u>(20,352)</u>
<b>Profit/(Loss) for the period attributable to:</b>			
Owners of the Company		<u>(40,992)</u>	(20,522)
Non-controlling interests		<u>25</u>	–
		<u><b>(40,967)</b></u>	<u>(20,522)</u>
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		<u>(41,522)</u>	(20,352)
Non-controlling interests		<u>25</u>	–
		<u><b>(41,497)</b></u>	<u>(20,352)</u>
<b>Loss per share attributable to the owners of the Company</b>			
Basic and diluted loss per share (HK cents)	9	<u><b>(2.30)</b></u>	<u>(1.21)</u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		Unaudited As at 30 June 2022 <i>HK\$'000</i>	Audited As at 31 December 2021 <i>HK\$'000</i>
	<i>Notes</i>		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	7,187	8,237
Right-of-use assets		5,330	5,486
Loans and interest receivables	13	1,505	1,803
Goodwill		34,632	34,632
Intangible assets		800	800
Deferred tax assets		562	562
		<u>50,016</u>	<u>51,520</u>
<b>Current assets</b>			
Inventories	11	6,178	6,016
Trade and bill receivables	12	19,712	27,486
Loans and interest receivables	13	115,583	112,864
Deposits, prepayments and other receivables		6,669	5,534
Tax recoverable		–	383
Financial assets at fair value through profit or loss	14	15,342	15,681
Cash and bank balances		17,879	15,348
		<u>181,363</u>	<u>183,312</u>
<b>Current liabilities</b>			
Trade and bill payables	15	17,422	19,124
Accruals, other payables and receipts in advance		9,242	10,968
Contract liabilities		–	529
Other borrowings	16	1,479	4,057
Lease liabilities	17	2,741	2,965
Provision for tax		210	–
		<u>31,094</u>	<u>37,643</u>
<b>Net current assets</b>		<u>150,269</u>	<u>145,669</u>
<b>Total assets less current liabilities</b>		<u>200,285</u>	<u>197,189</u>

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2022</b>	2021
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current liabilities</b>			
Convertible bonds	<i>18</i>	<b>14,400</b>	–
Lease liabilities	<i>17</i>	<b>1,039</b>	932
		<hr/>	<hr/>
		<b>15,439</b>	932
		<hr/>	<hr/>
<b>Net assets</b>		<b>184,846</b>	196,257
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Share capital	<i>19</i>	<b>17,903</b>	16,900
Reserves		<b>166,070</b>	179,357
		<hr/>	<hr/>
<b>Equity attributable to the owners of the Company</b>		<b>183,973</b>	196,257
<b>Non-controlling interests</b>		<b>873</b>	–
		<hr/>	<hr/>
<b>Total equity</b>		<b>184,846</b>	196,257
		<hr/> <hr/>	<hr/> <hr/>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Share capital	Share premium	Merger reserve	Statutory reserve	Share-based payment reserve	Convertible Bonds equity reserve	Translation reserve	Retained earnings	Total	Non-Controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2021	16,900	375,963	2,988	3,344	3,741	–	1,847	(208,526)	196,257	–	196,257
(Loss)/Profit for the period	–	–	–	–	–	–	–	(40,992)	(40,992)	25	(40,967)
Other comprehensive income											
– Exchange loss on translation of financial statements of foreign operations	–	–	–	–	–	–	(530)	–	(530)	–	(530)
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(530)</b>	<b>(40,992)</b>	<b>(41,522)</b>	<b>25</b>	<b>(41,497)</b>
Equity-settled share option scheme arrangements	–	–	–	–	8,638	–	–	–	8,638	–	8,638
Recognition of equity component convertible bonds	–	–	–	–	–	9,800	–	–	9,800	–	9,800
Issue of shares in respect of conversion of convertible bonds	1,003	13,997	–	–	–	(4,200)	–	–	10,800	–	10,800
Arising from incorporation of a subsidiary	–	–	–	–	–	–	–	–	–	848	848
<b>At 30 June 2022</b>	<b>17,903</b>	<b>389,960</b>	<b>2,988</b>	<b>3,344</b>	<b>12,379</b>	<b>5,600</b>	<b>1,317</b>	<b>(249,518)</b>	<b>183,973</b>	<b>873</b>	<b>184,846</b>
At 31 December 2020	16,900	375,963	2,988	3,344	–	–	1,485	(162,255)	238,425	–	238,425
Loss for the period	–	–	–	–	–	–	–	(20,522)	(20,522)	–	(20,522)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–
– Exchange gain on translation of financial statements of foreign operations	–	–	–	–	–	–	170	–	170	–	170
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>170</b>	<b>(20,522)</b>	<b>(20,352)</b>	<b>–</b>	<b>(20,352)</b>
At 30 June 2021	16,900	375,963	2,988	3,344	–	–	1,655	(182,777)	218,073	–	218,073

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Net cash used in operating activities	(26,346)	(54,961)
Net cash used in investing activities	(3,708)	(13,457)
Net cash generated from financing activities	32,784	5,054
Net increase/(decrease) in cash and cash equivalents	2,730	(63,364)
Cash and cash equivalents at beginning of the period		
Cash and bank balances	15,348	78,547
Effect of foreign exchange rates, net	(199)	(96)
Cash and cash equivalents at end of the period	17,879	15,087

## NOTES

*For the six months ended 30 June 2022*

### 1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 19 June 2013. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 706, 7/F, Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong respectively. The Company's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited.

At the extraordinary general meeting of the Company held on 25 March 2022, the shareholders of the Company passed a special resolution which approved a change of the Company's name from "CEFC Hong Kong Financial Investment Company Limited 香港華信金融投資有限公司" to "Virtual Mind Holding Company Limited 天機控股有限公司".

The Company is an investment holding company and its subsidiaries (together the "Group") are principally engaged in design, manufacturing and trading of apparels and provision of money lending services. There were no significant changes in the Group's business operation during the period.

### 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

- (a) The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022 have been prepared in accordance with Hong Kong Accounting Standards 34 issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinances and Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The accounting policies used in the preparation of the unaudited consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2021 except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning on 1 January 2022.

The financial statements are presented in Hong Kong dollar ("HK\$") which is also the functional currency of the Company. All values are rounded to the nearest thousand unless otherwise indicated.

- (b) In the current period, the Group has applied the new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are first effective and relevant for the Group’s consolidated financial statements for the annual period beginning on 1 January 2022.

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

The adoption of the new and amended standards and interpretations did not have any material impact on the interim condensed consolidated financial statements of the Group.

### **3. SEGMENT INFORMATION**

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group’s chief operating decision maker in order to allocate resources and assess performance of the segment. During the reporting period, the Company has identified design, manufacturing and trading of apparels and provision of money lending services as the reportable operating segments.

Each of these operating segments is managed separately as each of them requires different business strategies.

The segment information provided to the executive directors for the reportable segments during the reporting period is as follows:

<b>Six months ended 30 June 2022 (Unaudited)</b>	<b>Design, manufacture and trading of apparels <i>HK\$'000</i></b>	<b>Money lending services <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>Revenue from external customers</b>	<b>15,162</b>	<b>8,062</b>	<b>23,224</b>
Segment loss	(10,250)	(7,395)	(17,645)
<i>Reconciliation</i>			
Bank interest income			105
Unallocated corporate expenses			(23,058)
Finance costs			(369)
Loss before tax			(40,967)
<b>As at 30 June 2022 (Unaudited)</b>			
Segment assets	46,567	176,028	222,595
Other corporate assets			8,784
Total assets			231,379
Segment liabilities	25,508	2,785	28,293
Other corporate liabilities			18,240
Total liabilities			46,533
<b>Other segment information</b>			
<b>Six months ended 30 June 2022</b>			
<b>(Unaudited)</b>			
Depreciation	1,129	711	1,840
Reversal of expected credit loss (“ECL”)			
on trade receivables	85	–	85
Provision for ECL on loans and			
interest receivables	–	9,382	9,382

Six months ended 30 June 2021 (Unaudited)	Design, manufacture and trading of apparels <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue from external customers</b>	26,630	5,451	32,081
Segment (loss)/profit	(15,935)	2,706	(13,229)
<i>Reconciliation</i>			
Bank interest income			2
Unallocated corporate expenses			(6,549)
Finance costs			(122)
Loss before tax			(19,898)
<b>As at 31 December 2021 (Audited)</b>			
Segment assets	53,033	179,104	232,137
Other corporate assets			2,695
Total assets			234,832
Segment liabilities	28,500	5,865	34,365
Other corporate liabilities			4,210
Total liabilities			38,575
<b>Other segment information</b>			
<b>Six months ended 30 June 2021</b>			
<b>(Unaudited)</b>			
Depreciation	2,349	1,078	3,427
Reversal of ECL on trade receivables	297	–	297
Provision for ECL on loans and interest receivables	–	1,106	1,106

The Company is an investment holding company and the principal places of the Group's operations are in the China (including Hong Kong). Management determines that the Group is domiciled in Hong Kong, which is the Group's principal operating location.

The Group's revenue from external customers is divided into the following geographical areas:

	<b>Unaudited</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2022</b>	2021
	<i><b>HK\$'000</b></i>	<i>HK\$'000</i>
Mainland China	<b>12,823</b>	217
Hong Kong	<b>8,370</b>	9,388
United States	<b>2,031</b>	22,413
Others	–	63
	<u><b>23,224</b></u>	<u>32,081</u>

Geographical location of external customers is based on the location at which the customers are domiciled.

Revenue from each of the major customers which accounted for 10% or more of the Group's revenue for the reporting period is set out below:

	<b>Unaudited</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2022</b>	2021
	<i><b>HK\$'000</b></i>	<i>HK\$'000</i>
Customer A	<b>5,666</b>	–
Customer B	<b>3,219</b>	–
Customer C	<b>2,587</b>	–

#### **4. REVENUE**

Revenue represents the interest income from loans receivable, and sales of apparels, net of returns, discounts, rebates and sales related taxes, during the period.

## 5. OTHER GAINS AND LOSSES, NET

	Unaudited	
	For the six months	
	ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	105	2
Subcontracting income	3,519	1,365
Net fair value (loss)/gain on financial assets at fair value through profit or loss	(2,580)	1,413
Government subsidies	144	857
Others	79	63
	<u>1,267</u>	<u>3,700</u>

## 6. LOSS BEFORE TAX

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

	Unaudited	
	For the six months	
	ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration	–	–
Cost of inventories recognised as expense	17,025	29,658
Depreciation of property, plant and equipment	783	1,204
Depreciation of right-of-use assets	1,664	2,785
Foreign exchange loss, net	274	196
Reversal of ECL on trade receivables	(85)	(297)
Provision for ECL on loans and interest receivables	9,382	1,106
Short term lease expenses	74	48
Employee benefit expenses (including directors' emoluments and share-based compensation)	<u>25,574</u>	<u>17,749</u>

## 7. INCOME TAX EXPENSE

	Unaudited	
	For the six months	
	ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current income tax charged for the period:		
Hong Kong profits tax	–	624
Deferred tax credited for the period:	–	–
	–	624

### (i) British Virgin Islands (“BVI”) and the Cayman Islands income tax

Pursuant to the rules and regulations of the BVI and the Cayman Islands, the Group is not subject to any taxation under these jurisdictions during the six months ended 30 June 2022 (2021: nil).

### (ii) Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong, except for the first HK\$2,000,000 of qualified entity’s assessable profit is calculated at 8.25% (2021: 8.25%), which is in accordance with the new two tiered profits tax rates regime with effect from the year of assessment 2018/19.

### (iii) The People’s Republic of China (the “PRC”) enterprise income tax (“EIT”)

PRC EIT is provided at 25% (2021: 25%) on the estimated assessable profits for the period for a subsidiary in the Mainland China.

### (iv) PRC withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the new Corporate Income Tax Law issued on 6 December 2007, a 10% withholding income tax is levied on the dividends remitted by the companies established in the Mainland China to their foreign investors starting from 1 January 2008. Dividends coming from the profits generated by the Mainland China companies after 1 January 2008 are subject to this withholding income tax. The withholding income tax rate applicable to the Group is 5% (2021: 5%).

(v) **United States corporate income tax**

The United States corporate income tax comprises federal income tax calculated at 15% (2021: 15%) and state and local income tax calculated at various rates on the estimated assessable profits of the Group's subsidiary in the United States.

**8. DIVIDENDS**

No dividend was paid or proposed to the owners of the Company during the six months ended 30 June 2022 (2021: nil), nor has any dividend been proposed since the end of reporting period and up to the date of this announcement.

**9. LOSS PER SHARE**

Basic loss per share is calculated by dividing the loss attributable to owners of the Company of approximately HK\$40,992,000 (2021: HK\$20,522,000) by the weighted average number of 1,780,554,553 (2021: 1,690,000,000) ordinary shares in issue during the year.

Diluted loss per share is the same as basic loss per share for both the six months ended 30 June 2022 and six months ended 30 June 2021.

The computation of diluted loss per share for the six months ended 30 June 2022 did not assume the exercise of the outstanding 87,100,000 share options granted on 19 April 2022 because the exercise price of those options was higher than the average market price for shares for the six months ended 30 June 2022.

The computation of diluted loss per share for the six months ended 30 June 2022 did not assume the exercise of the outstanding 60,000,000 share options granted on 8 December 2021 or the outstanding convertible bonds, as the exercise of such outstanding share options or conversion of such outstanding convertible bonds had an anti-dilutive effect.

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2021.

**10. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2022, the Group did not incur any capital expenditures for acquisition of property, plant and equipment (2021: HK\$619,000).

**11. INVENTORIES**

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
Raw materials and consumables	2,414	2,053
Work in progress	1,048	170
Finished goods	2,716	3,793
	<u>6,178</u>	<u>6,016</u>

## 12. TRADE AND BILLS RECEIVABLES

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trade receivables, gross	<b>20,147</b>	28,006
Less: impairment loss	<b>(435)</b>	(520)
	<b>19,712</b>	27,486

Trade receivables are recognised at their original invoice amounts which represented their fair values at initial recognition. The Group's trade receivables are attributable to a number of independent customers with credit terms. The Group normally allows a credit period of 30 to 90 days (2021: 10 to 180 days) to its customers.

Trade receivables are non-interest bearing. The directors of the Company consider that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods at their inception.

Ageing analysis of trade receivables based on invoice date is as follows:

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0 to 30 days	<b>5,103</b>	20,037
31 to 60 days	<b>7,567</b>	6,037
61 to 90 days	–	73
91 to 180 days	–	154
Over 180 days	<b>7,042</b>	1,185
	<b>19,712</b>	27,486

### 13. LOANS AND INTEREST RECEIVABLES

	<b>Unaudited</b>	Audited
	As at	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current</b>		
Loans receivables	1,611	1,807
Less: impairment loss	(106)	(4)
	<u>1,505</u>	<u>1,803</u>
<b>Current</b>		
Loans receivables	151,953	143,913
Interest receivables	8,957	4,998
Less: impairment loss	(45,327)	(36,047)
	<u>115,583</u>	<u>112,864</u>
	<u><u>117,088</u></u>	<u><u>114,667</u></u>

The Group's loans and interest receivables, which arise from the money lending business of providing corporate loans, personal loans and property mortgage loans in Hong Kong, are denominated in HK\$.

### 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>Unaudited</b>	Audited
	As at	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed equity securities held for trading in Hong Kong	<u>15,342</u>	<u>15,681</u>

## 15. TRADE PAYABLES

Credit periods of trade payables normally granted by the Group's suppliers were ranging from 30 to 90 days (2021: from 15 to 120 days).

Ageing analysis of trade payables based on invoice date is as follows:

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 to 30 days	6,772	3,375
31 to 60 days	2,807	6,485
61 to 90 days	62	303
91 to 180 days	1	3,821
Over 180 days	7,780	5,140
	<u>17,422</u>	<u>19,124</u>

## 16. OTHER BORROWINGS

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Current</b>		
Margin loan payable, repayable within one year or on demand	<u>1,479</u>	<u>4,057</u>

## 17. LEASE LIABILITIES

	Unaudited As at 30 June 2022 <i>HK\$'000</i>	Audited As at 31 December 2021 <i>HK\$'000</i>
<b>Current portion:</b>		
Lease liabilities	<u>2,741</u>	<u>2,965</u>
<b>Non-current portion:</b>		
Lease liabilities	<u>1,039</u>	<u>932</u>
	<b><u>3,780</u></b>	<b><u>3,897</u></b>

## 18. CONVERTIBLE BONDS

	Liability component <i>HK\$'000</i>	Equity component <i>HK\$'000</i>	Total <i>HK\$'000</i>
Issue of convertible bonds	25,200	9,800	35,000
Conversion into ordinary shares	<u>(10,800)</u>	<u>(4,200)</u>	<u>(15,000)</u>
Net carrying amount	<b><u>14,400</u></b>	<b><u>5,600</u></b>	<b><u>20,000</u></b>

On 6 January 2022, the Company issued the convertible bonds (the “Convertible Bonds”) in an aggregate principal amount of HK\$35,000,000 at 2% coupon rate per annum with maturity on 5 January 2025 (“Maturity Date”). The Convertible Bonds are convertible, at any time on or after 6 January 2022 and up to the fifth business day before the Maturity Date (“Conversion Period”), by the bondholders into ordinary share of the Company of HK\$0.01 each at the option of the bondholders, at a conversion price of HK\$0.1496 (the “Conversion Price”) per share.

The Company shall (i) redeem all Convertible Bonds which have not been redeemed or converted in accordance with the terms and conditions by the Maturity Date, on the Maturity Date at a redemption amount equal to 100% of the principal amount of such Convertible Bonds; and (ii) upon the occurrence of any event of default as stipulated in the terms and conditions of the Convertible Bonds.

On 12 January 2022, principal amount of HK\$1,000,000 Convertible Bonds were converted into 6,684,491 ordinary shares of the Company at the Conversion Price.

On 19 January 2022, principal amount of HK\$14,000,000 Convertible Bonds were converted into 93,582,887 ordinary shares of the Company at the Conversion Price.

## 19. SHARE CAPITAL

The movements in share capital of the Company were as follows:

	Number of shares	<i>HK\$'000</i>
<b>Authorised:</b>		
Ordinary shares at HK\$0.01 each, at 31 December 2021 and 30 June 2022	<u>10,000,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
Ordinary shares at HK\$0.01 each, at 31 December 2021	1,690,000,000	16,900
Issuance of shares from Convertible Bonds	<u>100,267,378</u>	<u>1,003</u>
Ordinary shares at HK\$0.01 each, at 30 June 2022	<u><u>1,790,267,378</u></u>	<u><u>17,903</u></u>

6,684,491 shares and 93,582,887 shares were issued as a result of conversion of Convertible Bonds on 12 January 2022 and 19 January 2022 respectively.

## 20. RELATED PARTY TRANSACTION

The Group entered into the following significant related party transactions during the period:

### Key management personnel remuneration

	Unaudited	
	For the six months	
	ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' emoluments	<u><u>6,170</u></u>	<u><u>2,245</u></u>

## 21. SHARE OPTION SCHEME

On 19 April 2022, 87,100,000 options were granted by the Company under its share option scheme adopted on 22 November 2013 to a director, certain employees of the Group, a consultant and a service provider for their contributions to the Group to subscribe for shares of the Company at an exercise price of HK\$0.278 per share with an exercise period from 19 April 2022 to 18 April 2027. The estimated fair value of these options granted was approximately HK\$8,638,000. During the six months ended 30 June 2022, all of these options were vested and exercisable upon the grant of the share options and none of them were exercised, cancelled or lapsed.

Details of movement of the options during the six months ended 30 June 2022 are as follows:

Directors	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2022	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding at 30 June 2022
Li Yang	8 December 2021	HK\$0.155	8 December 2021 to 7 December 2026	16,900,000	–	–	–	16,900,000
Tin Yat Yu Carol	8 December 2021	HK\$0.155	8 December 2021 to 7 December 2026	16,900,000	–	–	–	16,900,000
Cheung Ka Lung	8 December 2021	HK\$0.155	8 December 2021 to 7 December 2026	2,000,000	–	–	–	2,000,000
Chan Ming Leung Terence	8 December 2021	HK\$0.155	8 December 2021 to 7 December 2026	2,000,000	–	–	–	2,000,000
	19 April 2022	HK\$0.278	19 April 2022 to 18 April 2027	–	15,900,000	–	–	15,900,000
Gong Xiaohan	8 December 2021	HK\$0.155	8 December 2021 to 7 December 2026	16,900,000	–	–	–	16,900,000
Tang Shu Pui Simon	8 December 2021	HK\$0.155	8 December 2021 to 7 December 2026	1,000,000	–	–	–	1,000,000
Hon Ming Sang	8 December 2021	HK\$0.155	8 December 2021 to 7 December 2026	1,000,000	–	–	–	1,000,000
Lo Wing Sze	8 December 2021	HK\$0.155	8 December 2021 to 7 December 2026	1,000,000	–	–	–	1,000,000
Employees and personnel of the Group	8 December 2021	HK\$0.155	8 December 2021 to 7 December 2026	2,300,000	–	–	–	2,300,000
	19 April 2022	HK\$0.278	19 April 2022 to 18 April 2027	–	35,400,000	–	–	35,400,000
Consultant	19 April 2022	HK\$0.278	19 April 2022 to 18 April 2027	–	17,900,000	–	–	17,900,000
Service Provider	19 April 2022	HK\$0.278	19 April 2022 to 18 April 2027	–	17,900,000	–	–	17,900,000

During the six months ended 30 June 2022, share-based payment expenses of approximately HK\$8,638,000 (2021: nil) have been charged to profit or loss.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group principally engages in (i) design, manufacture and trading of apparel, namely apparel operation; and (ii) provision of money lending business, namely money lending operation.

### **REVENUE**

Difficult business environment had an adverse impact on our revenue for the first half of 2022. Revenue of the Group for the reporting period decreased by approximately 27.6% to approximately HK\$23,224,000 (2021: HK\$32,081,000), as a result of the spread of Omicron virus and the corresponding preventive and control measures imposed by the governments, economic activities in major economies and our operation were disrupted and dampened.

### **APPAREL OPERATION**

Revenue from apparel operation is principally derived from the sales of apparel products. As mentioned before, the spread of Omicron virus and the corresponding preventive and control measures led to a drastic fall in people flow and seriously dampened consumption activities and sentiment, and also affected our apparel operation. Revenue from apparel operation for the reporting period decreased by approximately 43.1% to approximately HK\$15,162,000 (2021: HK\$26,630,000).

### **MONEY LENDING OPERATION**

Our money lending business primarily offers loans to individual customers and small businesses in Hong Kong. Revenue from money lending operation was approximately HK\$8,062,000 (2021: HK\$5,451,000) for the reporting period, increased by approximately 47.9% as compared to the corresponding period in 2021. The interest rate charged on all loans receivable ranged from 3% to 24% (2021: 3% to 30%) per annum.

Provision of expected credit loss allowance on loans and interest receivables of approximately HK\$9,382,000 (2021: HK\$1,106,000) was recorded for the reporting period, increased by approximately 748.3% as compared to the corresponding period in 2021.

Our loans and interest receivables (net of allowances) increased by approximately 2.1%, from approximately HK\$114,667,000 as at 31 December 2021 to approximately HK\$117,088,000 as at 30 June 2022.

## **GROSS PROFIT AND GROSS PROFIT MARGIN**

Gross profit for the six months ended 30 June 2022 was approximately HK\$6,199,000 (2021: HK\$2,423,000), increased by 155.8%. Apparel operation recorded gross loss of approximately HK\$1,863,000 (2021: HK\$3,028,000) while money lending operation earned gross profit of approximately HK\$8,062,000 (2021: HK\$5,451,000).

Lower materials costs, subcontracting costs, labour wages and production overheads were incurred resulting from a decrease in purchase orders and in turn a decrease in revenue from apparel operation for the reporting period.

The gross profit earned from our money lending operation was approximately HK\$8,062,000 (2021: HK\$5,451,000). The gross profit margin was 100% for money lending operation for the period (2021:100%), as there was no direct cost incurred in generating revenue in the money lending operation.

## **REVERSAL OF EXPECTED CREDIT LOSS ON TRADE RECEIVABLES**

Reversal of expected credit loss on trade receivables of approximately HK\$85,000 (2021: HK\$297,000) was recorded for the reporting period. We provided impairment loss on trade receivables on individual assessment.

## **PROVISION FOR EXPECTED CREDIT LOSS ON LOANS AND INTEREST RECEIVABLES**

Provision for expected credit loss on loans and interest receivables of approximately HK\$9,382,000 (2021: HK\$1,106,000) was recorded for the reporting period, increased by approximately 748.3%. In assessing the provision for expected credit loss for loans and interest receivables, the Group considered (i) the loan receivables which have been past due as at 30 June 2022; (ii) the repayment history of loan and interest receivables of each borrower during the reporting period; and (iii) the probability of default rate due to the inability of the borrowers to make repayments to the Group when due.

The increase in the provision for expected credit loss was due to an increase in the loans and interest receivables, and deterioration of the credit status of certain borrowers. The loans and interest receivables (net of allowances) increased by approximately 2.1%, from approximately HK\$114,667,000 as at 31 December 2021 to approximately HK\$117,088,000 as at 30 June 2022.

## **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses mainly consist of (i) transportation costs for delivery of products; and (ii) staff costs for the sales representatives. The selling and distribution expenses incurred in the reporting period were approximately HK\$929,000 (2021: HK\$4,508,000), decreased by approximately 79.4%. Most of the selling and distribution expenses recorded declines for the period, in particular transportation costs as we delivered less products to the U.S. in the reporting period.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses primarily consist of (i) staff costs; (ii) share-based compensation; and (iii) professional fees. The administrative expenses for the six months ended 30 June 2022 were approximately HK\$37,838,000 (2021: HK\$20,582,000), increased by approximately 83.8%. The increase in the administrative expenses was mainly attributable to the share-based compensation arisen from issuance of share options in the reporting period and increase in professional fees.

## **LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY**

The loss for the period attributable to owners of the Company was approximately HK\$40,992,000 (2021: HK\$20,522,000), increased by approximately 99.7%. The increase in the loss for the period attributable to owners of the Company was primarily due to decrease in revenue from apparel operation, and increase in provision for expected credit loss on loans and interest receivable and increase in administrative expenses respectively, as discussed above.

## **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

The portfolio of the Group's financial assets at fair value through profit or loss consisted of investments in listed securities of approximately HK\$15,342,000 that were held for trading as at 30 June 2022 (31 December 2021: HK\$15,681,000).

No dividend income was received by the Group from its investments in listed securities (2021: nil). Resulting from the volatile conditions of the Hong Kong stock market during the year and the financial performance of the respective investee companies, a net fair value loss on financial assets at fair value through profit or loss of approximately HK\$2,580,000 (2021: net fair value gain of HK\$1,413,000) was recognised from the Group's securities investments.

The objective of the Group's investments in the listed securities in Hong Kong is to achieve profit from the appreciation of the market value of its invested securities and to receive dividend income. The Directors expect that the stock market in Hong Kong will remain volatile which may affect the performance of the Group's securities investments. The Board believes that the performance of the securities investments of the Group will be dependent on the financial and operating performance of the investee companies and the market sentiment, which are affected by factors, such as interest rate movements and performance of the macro economy. The Group will continue to adopt a conservative investment approach in its trading of listed securities in the Hong Kong stock market and closely monitor the performance of its securities investment portfolio.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2022, cash and bank balances amounted to approximately HK\$17,879,000 (31 December 2021: HK\$15,348,000). Total borrowing and lease liabilities of the Group as at 30 June 2022 was approximately HK\$19,659,000 (31 December 2021: HK\$7,954,000), of which approximately HK\$4,220,000 (31 December 2021: HK\$7,022,000) would be repayable within one year and all the remaining borrowing and lease liabilities of approximately HK\$15,439,000 (31 December 2021: HK\$932,000) would be repayable after one year.

The current ratio of the Group was approximately 5.83 as at 30 June 2022 (31 December 2021: 4.87).

## **CHARGE ON ASSETS**

As at 30 June 2022, the Group's financial assets at fair value through profit or loss of approximately HK\$15,342,000 (31 December 2021: HK\$15,681,000) were pledged as securities for the Group's other borrowings.

## **CONTINGENT LIABILITIES**

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

## **GEARING RATIO**

The gearing ratio of the Group, calculated as total borrowing and lease liabilities over total equity was approximately 10.6% as at 30 June 2022 (31 December 2021: 4.1%).

## **TREASURY POLICY**

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

## **MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

There was no material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 30 June 2022.

## **FOREIGN EXCHANGE EXPOSURE**

Substantial portion of the business transactions of the Group are either denominated in Renminbi ("RMB") or in Hong Kong dollars. The Board of Directors does not consider that the Group is exposed to any material foreign currency exchange risk. Therefore, no hedging instruments or any other alternatives have been used.

## **CAPITAL COMMITMENTS**

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

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2022, the Group had a total of 149 employees (31 December 2021: 181 employees). Total staff costs (including directors' emoluments) were approximately HK\$25,574,000 for the six months ended 30 June 2022, as compared to approximately HK\$17,749,000 for the six months ended 30 June 2021. Remuneration is determined with reference to market norms as well as individual employees' performance, qualification and experience.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in the paragraph “Completion of the acquisition of the entire share capital of Dreamtoys Inc.” under the “Significant Events After Reporting Period” below, there was no specific plan for material investments or capital assets as at 30 June 2022 (31 December 2021: nil).

## **INTERIM DIVIDEND**

The Board of Directors did not recommend any payment of an interim dividend for the six month ended 30 June 2022.

## **OTHER INFORMATION**

### **AUDIT COMMITTEE**

The Company’s audit committee has reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters. The unaudited consolidated financial statements of the Group for the six months ended 30 June 2022 have been reviewed by the audit committee members who have provided advice and comments thereon.

### **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value. The Company’s corporate governance practices are based on the principles and the code provisions set out in the Corporate Governance Code (“CG Code”) contained in Appendix 14 to the Listing Rules.

Throughout the reporting period, the Company has complied with the CG Code.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions (the "Required Standard of Dealings").

The Company has confirmed, having made specific enquiry of the directors, all the directors have complied with the Required Standard of Dealings throughout the six months ended 30 June 2022.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required to be recorded in the register pursuant to Section 352 of the SFO, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

### Long position in shares and underlying shares of the Company

Name	Capacity in which interests are held	Number of shares/underlying shares held/interested in			Approximate percentage of interests (Note 2)
		Ordinary shares	Shares issuable on share options held (Note 1)	Total interests	
Li Yang	Beneficial owner	–	16,900,000	16,900,000	0.94%
Tin Yat Yu Carol	Beneficial owner	–	16,900,000	16,900,000	0.94%
Cheung Ka Lung	Beneficial owner	–	2,000,000	2,000,000	0.11%
Chan Ming Leung Terence	Beneficial owner	–	17,900,000	17,900,000	1.00%

Name	Capacity in which interests are held	Number of shares/underlying shares held/interested in			Approximate percentage of interests (Note 2)
		Shares issuable			
		Ordinary shares	on share options held (Note 1)	Total interests	
Gong Xiaohan	Beneficial owner	–	16,900,000	16,900,000	0.94%
Tang Shu Pui Simon	Beneficial owner	5,000,000	1,000,000	6,000,000	0.34%
Hon Ming Sang	Beneficial owner	–	1,000,000	1,000,000	0.06%
Lo Wing Sze	Beneficial owner	–	1,000,000	1,000,000	0.06%

*Notes:*

1. Details of share options held by the Directors are shown above in note 21 to the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022.
2. Based on 1,790,267,378 shares of the Company in issue as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, none of the directors or chief executive of the Company have or are deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were notifiable to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or recorded in the register required to be maintained by the Company under Section 352 of the SFO, or as otherwise notifiable to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

### Long position in shares and underlying shares of the Company

Name	Capacity/nature of interest	Number of shares/underlying shares held/interested in			Approximate percentage of interests (Note 1)
		Ordinary shares	Underlying shares in respect of the convertible bonds issued	Total interests	
World Field Industries Limited (Note 2)	Beneficial owner	283,994,000	–	283,994,000	15.86%
BLB International Company Limited (Note 3)	Beneficial owner	240,000,000	–	240,000,000	13.41%
Value Convergence Holdings Limited (Note 4)	Beneficial owner	132,186,000	66,844,919	199,030,919	11.11%

*Notes:*

- Based on 1,790,267,378 shares of the Company in issue as at 30 June 2022.
- Based on the disclosure of interests forms filed on 21 January 2022, World Field Industries Limited is owned as to 100% by Green Astute Limited, which is in turn owned as to 100% by Hao Tian Media & Culture Holdings Limited, which is in turn owned as to 100% by Aceso Life Science Group Limited (“Aceso”), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 474.HK). Based on the disclosure of interest forms in relation to Aceso filed on 25 March 2022 and 24 August 2021 respectively, Aceso is owned as to 49.19% by Asia Link Capital Investment Holdings Ltd. (“Asia Link”) and as to 10.83% by Century Golden Resources Investment Co., Ltd (“Century Golden”). Asia Link is owned as to 100% by Li Shao Yu (李少宇). Century Golden is owned as to 50% by Huang Tao (黄涛) and as to 40% by Huang Shiying (黄世熒).

3. Based on the disclosure of interests forms filed on 22 June 2021, BLB International Company Limited is owned as to 100% by Baolingbao Biology Co., Ltd. (“BLB Biology”), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 2286.SZ). Based on the half-year report of BLB Biology for the six months ended 30 June 2022 published on the website of the Shenzhen Stock Exchange (www.szse.cn) on 25 August 2022, as at 30 June 2022, BLB Biology was owned as to 12.71% by Beijing Yongyu Investment Management Limited (北京永裕投資管理有限公司, “Beijing Yongyu”) and as to 10.25% is owned by Ningbo Baopu Futong Asset Management Center (Limited Partnership) (寧波鈞樸富通資產管理中心(有限合夥)). Based on information published on Beijing Enterprise Credit Information website (北京市企業信用信息網, qyxy.scjgj.beijing.gov.cn) and based on the information available to the Company, Beijing Yongyu is wholly owned by Dai Sijue (戴斯覺).
  
4. Based on the disclosure of interest forms filed on 10 June 2022, Value Convergence Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 821.HK), was the beneficial owner of 199,030,919 shares / underlying shares of the Company, of which 66,844,919 referred to interests in underlying shares (unlisted derivatives – convertible instruments). Value Convergence Holdings Limited was deemed to be interested in 66,844,919 underlying shares of the Company which may be issued and allotted upon exercise of the conversion rights attaching to the convertible bonds at a principal amount of HK\$10,000,000 at the conversion price of HK\$0.1496 per share. For details, please refer to the announcements of the Company dated 13 December 2021 and 6 January 2022. To the best knowledge and information of the Company, as at 30 June 2022, Value Convergence Holdings Limited was the beneficial owner of 132,186,000 shares of the Company.

Save as disclosed above, as at 30 June 2022, the directors of the Company were not aware of any other persons/entities (other than the directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, its Group members or associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO; or as otherwise notified to the Company and the Stock Exchange.

## **COMPLETION OF PLACING OF CONVERTIBLE BONDS IN JANUARY 2022**

On 13 December 2021, the Company entered into a Convertible Bonds placing agreement (“CB Placing Agreement”) with an placing agent, pursuant to which the Company proposed to offer for subscription, and the placing agent agreed to procure subscriptions for, the Convertible Bonds on a best effort basis on the terms and subject to the conditions set out in the CB Placing Agreement. The placing agent shall procure not less than six placees to subscribe for the Convertible Bonds in the principal amount of up to HK\$35,000,000.

The placing of the Convertible Bonds was completed on 6 January 2022. The net proceeds from the placing of the Convertible Bonds, after the deduction of fees, commissions and expenses payable, were approximately HK\$34,125,000.

The Company has applied the net proceeds from the placing of the Convertible Bonds for general working capital of the Group as per disclosure in the announcements of the Company dated 13 December 2021 and 6 January 2022 respectively.

The Convertible Bonds are convertible by the bondholders into ordinary share of the Company of HK\$0.01 each at the option of the bondholders, at a Conversion Price of HK\$0.1496 per share.

On 12 January 2022, principal amount of HK\$1,000,000 Convertible Bonds were converted into 6,684,491 ordinary shares of the Company at the Conversion Price.

On 19 January 2022, principal amount of HK\$14,000,000 Convertible Bonds were converted into 93,582,887 ordinary shares of the Company at the Conversion Price.

As at 30 June 2022, principal amount of HK\$20,000,000 Convertible Bonds was outstanding and was not converted into ordinary shares of the Company. In case of the outstanding Convertible Bonds being fully converted into the ordinary shares of the Company at the Conversion Price, a maximum of 133,689,828 new shares will be allotted and issued by the Company.

## Dilution impact of the conversion of Convertible Bonds

Set out below is the dilution effect on equity interest of the shareholding structure of the Company upon the full conversion of the outstanding Convertible Bonds as at 30 June 2022:

	As at 30 June 2022		Upon full conversion of Convertible Bonds as at 30 June 2022	
	No. of Shares	Approximate %	No. of Shares	Approximate %
<b>Director</b>				
Tang Shu Pui Simon	5,000,000	0.28	5,000,000	0.26
<b>Substantial Shareholders</b>				
World Field Industries Limited	283,994,000	15.86	283,994,000	14.76
BLB International Company Limited	240,000,000	13.41	240,000,000	12.47
Value Convergence Holdings Limited	132,186,000	7.38	199,030,919	10.35
<b>Other public shareholders</b>	1,129,087,378	63.07	1,195,932,287	62.16
<b>Total</b>	<u>1,790,267,378</u>	<u>100.00</u>	<u>1,923,957,206</u>	<u>100.00</u>

## Dilution impact on loss per share

Basic loss per share amounted to HK cents 2.30 is calculated by dividing the loss attributable to owners of the Company of approximately HK\$40,992,000 for the six months ended 30 June 2022. No computation of diluted loss per share for the six months ended 30 June 2022 as the conversion of Convertible Bonds would result in a decrease in loss per share.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

## **SIGNIFICANT EVENTS AFTER REPORTING PERIOD**

### **i. Completion of the acquisition of the entire issued share capital of Dreamtoys Inc.**

On 15 July 2022, completion of the discloseable transaction in respect of the Company's acquisition of the entire issued share capital of Dreamtoys Inc. took place. Payment of HK\$4.4 million (representing 10% of the Initial Consideration) originally payable in cash by the Company to the Vendor on the Completion Date was settled by the delivery of a non-interest bearing promissory note (instead of by way of cash).

The balance of the Initial Consideration was satisfied by the allotment and issue of 180,000,000 new shares of the Company at the issue price of HK\$0.22 per Consideration Share under the specific mandate granted by the Shareholders at the extraordinary general meeting held on 2 June 2022.

Please refer to Company's announcement dated 25 January 2022 and 15 July 2022 for details.

### **ii. Placing of convertible bonds**

In order to improve the Group's financial position, the Company entered into a convertible bond placing agreement on 27 July 2022 (the "CB Placing") which was completed on 15 August 2022. The net proceeds from the CB Placing, after deduction of commissions payable, were HK\$14,850,000.

Details of the CB Placing are set out in the announcements of the Company dated 27 July 2022 and 15 August 2022.

### **iii. Disposal of land and properties in relation to land resumption**

On 24 August 2022, according to the relevant land resumption policy of the Xiuzhou Government for the purpose of urban area redevelopment, Jiaxing Runway Global Garment Limited, an indirect wholly owned subsidiary of the Company, entered into the Compensation Agreement whereby it agrees to surrender the Target Land together with the Properties which is the manufacturing plant of the apparel products of the Group in return for the Compensation of approximately RMB58.1 million (equivalent to approximately HK\$66.8 million).

In order to maintain the operation of the Group's apparel business, the Group has identified a suitable location and has entered into a lease agreement with an independent landlord to relocate the existing manufacturing plant of the apparel products of the Group to a new factory. Furthermore, the Group has also been cooperating with different apparels production contractors for the sake of production flexibility and efficiency, including Qingdao Weiding Sports Supplies Company Limited (青島威鼎體育用品有限公司).

Please refer to Company's announcement dated 24 August 2022 for details.

## **CHANGE OF DIRECTORS' AND CHIEF EXECUTIVE'S INFORMATION**

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Company's directors subsequent to the date of the Annual Report 2021 are set out below:

Mr. Hon Ming Sang, an independent non-executive director of the Company, resigned as an executive director and company secretary of SFund International Holdings Limited (stock code: 1367.HK) with effect from 15 August 2022. He was appointed as the chief financial officer of China Gas Industry Investment Holdings Co. Ltd. (stock code: 1940.HK) with effect from 16 August 2022.

Save as disclosed above, the Company is not aware of other changes in the directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

By order of the Board  
**Virtual Mind Holding Company Limited**  
**Li Yang**  
*Chairman*

Hong Kong, 30 August 2022

As at the date of this Report, the Board is comprised of 8 directors:

*Executive directors:*

Mr. Li Yang

Ms. Tin Yat Yu Carol

Mr. Cheung Ka Lung

Mr. Chan Ming Leung Terence

Mr. Gong Xiaohan

*Independent non-executive directors:*

Mr. Tang Shu Pui Simon

Mr. Hon Ming Sang

Ms. Lo Wing Sze *BBS, JP*