

INTERIM REPORT 2022

OSHIDORI INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE : 622.HK or "OSHIDORI"

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. WONG Wan Men
Mr. WONG Yat Fai

Non-Executive Directors

Mr. Alejandro YEMENIDJIAN
(*Non-Executive Chairman*)
Hon. Joseph Edward SCHMITZ
Mr. SAM Hing Cheong

Independent Non-Executive Directors

Hon. CHAN Hak Kan, *S.B.S., J.P.*
Mr. CHEUNG Wing Ping⁽¹⁾
Mr. HUNG Cho Sing, *B.B.S.*
Mr. LAM John Cheung-wah⁽²⁾
Dr. LO Wing Yan, *William, J.P.*
Mr. YU Chung Leung⁽³⁾

AUTHORISED REPRESENTATIVES

Ms. WONG Wan Men
Mr. WONG Yat Fai

AUDIT COMMITTEE

Mr. YU Chung Leung (*Chairman*)⁽⁴⁾
Hon. CHAN Hak Kan, *S.B.S., J.P.*
Mr. CHEUNG Wing Ping⁽⁵⁾
Mr. HUNG Cho Sing, *B.B.S.*
Mr. LAM John Cheung-wah⁽⁶⁾
Dr. LO Wing Yan, *William, J.P.*

NOMINATION COMMITTEE

Mr. YU Chung Leung (*Chairman*)⁽⁴⁾
Hon. CHAN Hak Kan, *S.B.S., J.P.*
Mr. CHEUNG Wing Ping⁽⁵⁾
Mr. HUNG Cho Sing, *B.B.S.*
Mr. LAM John Cheung-wah⁽⁶⁾
Dr. LO Wing Yan, *William, J.P.*
Ms. WONG Wan Men

REMUNERATION COMMITTEE

Mr. YU Chung Leung (*Chairman*)⁽⁴⁾
Hon. CHAN Hak Kan, *S.B.S., J.P.*
Mr. CHEUNG Wing Ping⁽⁵⁾
Mr. HUNG Cho Sing, *B.B.S.*
Mr. LAM John Cheung-wah⁽⁶⁾
Dr. LO Wing Yan, *William, J.P.*
Ms. WONG Wan Men

COMPANY SECRETARY

Ms. LIU Tsui Fong

LEGAL ADVISORS

(*As to Bermuda law*)
Conyers Dill & Pearman

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor, North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
Hopewell Centre, 17th Floor
183 Queen's Road East, Wanchai
Hong Kong

AUDITOR

Mazars CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited

STOCK CODE

Hong Kong Stock Exchange: 622

Notes:

- (1) Resigned as Director on 1 August 2022
- (2) Appointed as Director on 1 August 2022
- (3) Appointed as Director on 25 July 2022
- (4) Appointed as member on 25 July 2022 and appointed as Chairman on 1 August 2022
- (5) Ceased to be Chairman and member on 1 August 2022
- (6) Appointed as member on 1 August 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Oshidori International Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) recorded a net loss of HK\$39.4 million for the six months ended 30 June 2022 (the “**Reporting Period**”), compared to a net profit of HK\$899.5 million for the six months ended 30 June 2021 (the “**Previous Period**”). The loss was mainly attributable to (a) the absence of one-off gain on bargain purchase from acquisition for the Reporting Period when comparing to the Previous Period; and (b) the drop in total revenue due to the Group’s prudent approach in both provision of financial services as well as provision of credit and lending services.

BUSINESS REVIEW

The Group principally engages in investment holdings, tactical and/or strategic investments (including property investments), and the provision of financial services including the Securities and Futures Commission (the “**SFC**”) regulated activities namely Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 8 (securities margin financing) and Type 9 (asset management); and provision of credit and lending services regulated under the Money Lenders Ordinance.

A. Financial Services (SFC Type 1, 2, 4, 6, 8 and 9 Regulated Activities)

Through a wholly owned subsidiary, Oshidori Securities Limited (“**OSL**”), the Group engages in securities brokerage and financial services business. OSL is licensed by the SFC to conduct regulated activities including Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) and holds a Stock Exchange Trading Right. OSL is also an exchange participant of the Stock Exchange that offers clients a platform to trade eligible stocks listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange through trading facilities of the Stock Exchange as a China Connect Exchange Participant and China Connect Clearing Participant. OSL is also an exchange participant of Hong Kong Futures Exchange Limited and HKFE Clearing Corporation Limited.

The Group also provides corporate finance advisory services through its wholly owned subsidiary Oshidori Corporate Finance Limited (“**OCFL**”), which is licensed by the SFC to conduct Type 6 (advising on corporate finance) regulated activity. OCFL was appointed by several listed companies as their corporate financial advisor on their respective corporate activities in relation to compliance with the Listing Rules.

The Group also, through its wholly owned subsidiary Win Wind Finance Limited (“**WWFL**”), engages in securities margin financing. WWFL is licensed by the SFC to conduct Type 8 (securities margin financing) regulated activity.

Brokerage commission income generated from securities brokerage services decreased by 75% to HK\$0.3 million for the Reporting Period (Previous Period: HK\$1.2 million). Interest income generated from provision of margin financing services decreased by 76.2% to HK\$11.6 million for the Reporting Period (Previous Period: HK\$48.7 million). The Group has yet to generate income from placing and underwriting services and corporate finance advisory services for the Reporting Period (Previous Period: HK\$2.4 million and HK\$1.4 million respectively).

Given prevailing sentiments of market uncertainty in recent years, the Group has maintained a cautious approach towards its margin financing services business, its placing and underwriting services business and its corporate finance advisory services business.

MANAGEMENT DISCUSSION AND ANALYSIS

B. Credit and Lending Services

(i) Business Model

The Company, through its wholly owned subsidiaries, namely Oshidori WW Resources Limited and Oshidori Citizens Money Lending Corporation Limited (“**Citizens**”), conducts credit and lending business under the Money Lenders Ordinance, Chapter 163 of the Laws of Hong Kong.

The Group maintains readily available funds and equips itself with sufficient lending capacities for capturing potential business opportunities. The Group finances its credit and lending business with its existing general working capital. The Group’s credit and lending business has a unique business model with emphasis on the provision of sizeable loans to both corporate and individual clients with good financial standing and low credit risk (such as listed companies and individuals holding marketable assets).

The Group targets a niche market comprising of high-profile borrowers (i.e. celebrities in the world) in need of sizeable loans, who have a proven track record of making repayments. The Group grants loans only to recognised and creditworthy third parties and their related parties. In other words, the Group granted loans only to the customers (a) who are third parties and not connected with the Group; (b) who are introduced by the Group’s directors, senior management, business partners or existing/previous borrowers; and (c) whose creditworthiness and loan collateral are evaluated and approved by the credit committee (the “**Credit Committee**”) of the Group. The Group rarely advertises to the open market.

The management team of the Group’s credit and lending business comprises of the Credit Committee and two managers. The Credit Committee consists of two directors of the Group, who have more than 30 years and around 20 years of experience in finance, investment and credit and lending industry respectively. The Credit Committee has the power and authority to review and approve or reject loan application. The roles and responsibilities are as follows:

- a) the Credit Committee is responsible for (i) assessing credit risks, (ii) overseeing the approval of credit applications and loan approvals; and (iii) managing customer relationships; and
- b) the managers are responsible for (i) reviewing loan documentations, (ii) identifying potential problems; and (iii) recommending mitigating factors.

MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Major Terms of Loans

At the end of the Reporting Period, the Group's net loan receivables including both fixed and variable rate loan advances to independent third parties was HK\$278.7 million (31 December 2021: HK\$978.4 million). Among these loan receivables, HK\$59.7 million, HK\$9.8 million, and HK\$10.1 million (totalling HK\$79.6 million) (31 December 2021: totalling HK\$130.0 million) were secured by the pledge of securities, pledge of properties and personal guarantees respectively, and bearing interests ranging from 5% to 15% (31 December 2021: 5% to 15%) per annum. Out of these secured loan receivables, HK\$79.3 million had contractual loan period between 1 year and 2 years and HK\$0.3 million had contractual loan period over 5 years (31 December 2021: between 18 months and 7 years). The remaining balance of HK\$199.1 million (31 December 2021: HK\$848.4 million) were unsecured, and bearing interests ranging from 3% to 15% (31 December 2021: 3% to 36%) per annum. Out of these unsecured loan receivables, HK\$147.3 million has contractual loan period between 1 year and 2 years, HK\$39.4 million has contractual loan period between 2 year and 5 years and HK\$12.4 million has contractual loan period over 5 years (31 December 2021: between 6 months and 5 years and over 5 years).

Interest income from loan receivables for the Reporting Period was HK\$20.5 million (31 December 2021: HK\$84.8 million), which was decreased by 75.8% as compared with the previous year. The decrease was due to the Group's prudent approach in carrying out its credit and lending services business.

(iii) Top Five Borrowers

As at 30 June 2022, the loan and interest receivables from the largest borrower was HK\$147.3 million (representing approximately 53% of the total loan and interest receivables of the Group) while the loan and interest receivables from the five largest borrowers together was HK\$267.5 million (representing approximately 96% of the total loan and interest receivables of the Group).

(iv) Impairment Loss on Loan Receivables

The Group has conducted an impairment assessment of the loan receivables according to the accounting standards. In accordance with "Hong Kong Financial Reporting Standard 9 – Financial Instruments", an entity shall at the end of each reporting period measure impairment of financial assets using the expected credit loss (the "ECL") approach, i.e. to assess how current and future economic conditions impact the amount of loss.

Bases of impairment assessment and valuations or other evidence to support the impairment assessment

For the purpose of impairment assessment, the Group has established a loan credit risk classification system. Each loan receivable was assessed individually and was classified into the following three categories of internal credit rating:

- Performing refers to loans that have not had a significant increase in credit risk and for which ECL in the next 12 months will be recognised;

MANAGEMENT DISCUSSION AND ANALYSIS

- Under-Performing refers to loans that have had a significant increase in credit risk and for which the lifetime ECL will be recognised; and
- Not Performing refers to loans that have objective evidence of impairment and for which the lifetime ECL will be recognised.

In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition and whether the loan receivable is credit-impaired, the Group has taken into account the following factors:

- a) historical actual credit loss experience for the borrower; and
- b) financial position of the borrower by reference to its management or audited accounts and available press information adjusted for forward-looking factors that are specific to the borrower and general economic conditions of the industry in which the borrower operate.

There was no change in the estimation techniques or significant assumptions made during the Reporting Period.

Reasons for the movements in impairment provisions

According to the impairment assessment, loss allowance of HK\$31.7 million (31 December 2021: HK\$49.0 million) was recognised for the loan and interest receivables outstanding as at 30 June 2022. Details of the reasons for the decrease in impairment provisions by HK\$17.3 million are set out below:

- (a) During the Reporting Period, a reversal of loss allowance of HK\$23.8 million was mainly made for loan and interest receivables of HK\$849.6 million (as at 31 December 2021) upon recovery;
- (b) During the Reporting Period, loss allowance of HK\$0.7 million was written-off upon disposal of loan and interest receivables of HK\$34.8 million (as at 31 December 2021);
- (c) During the Reporting Period, loss allowance of HK\$3.4 million was made for new loan and interest receivables of HK\$170.4 million (as at 30 June 2022) (which were classified as Performing) as general provision; and
- (d) During the Reporting Period, additional loss allowance of HK\$3.8 million was made for loan and interest receivables of HK\$79.5 million (as at 30 June 2022) (which were classified as Under-Performing) due to the failure of the borrower to repay the loan upon maturity and the deterioration of the borrower's financial capability.

MANAGEMENT DISCUSSION AND ANALYSIS

(v) Internal Control Procedures

The Group has taken the following internal control measures in carrying out the credit and lending services business:

Credit risk assessment of customers

Potential customers are required to disclose and provide the Group with a list of information for a loan application. The Group will then assess the credit worthiness of the potential customers and their repayment abilities, including legal due diligence. In particular, the following information is requested and considered as part of the process:

- a) the potential customers' background and statutory information;
- b) the potential customers' proof of income, including bank statements;
- c) the amount and purpose of the loan;
- d) the results of legal searches such as litigation (or the absence of) on the potential customers; and
- e) whether the Group and the potential customers have any prior dealings and, if so, the credit history of any such prior arrangements.

In making the approval decision, the Credit Committee considers the information set out above and assesses the potential customers' credit risk, the loan-to-value ratio and proposed interest rate. The operations of the Credit Committee are subject to oversight by the management.

Mechanism in determining loan terms

The request from each potential customer is unique, the loan terms are determined based on the potential customers' financial needs (e.g. type of loan, capital needs and loan tenure), credit risk assessment of potential customers and their financial repayment abilities. The loan interest rate is determined based on the result of credit risk assessment and reference to the market interest rate.

The effective interest rates payable by customers should not exceed the maximum of 60% per annum or the statutory interest rate cap and extortionate rate for money lending stipulated in the Money Lenders Ordinance, Chapter 163 of the Laws of Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

Approval process for granting loans

Application and approval process are as follows:

- a) collection of potential customer information;
- b) preliminary loan assessment and approval (if disapproved, reject loan application and inform the potential customer);
- c) credit assessment – 3C’s Assessment (i.e. character, capacity, and collateral):
 - character is defined by credit and loan repayment history;
 - capacity measures income and ability to service a loan or line of credit;
 - collateral refers to asset(s) that could be leveraged for payment;
- d) determine the terms of the loan and obtain approval from Credit Committee (if disapproved, reject loan application and inform potential customer);
- e) prepare board minutes to approve the loan and notify the potential customer of the loan approval;
- f) prepare all relevant loan documents and explain the terms of the loan and the associated loan documents to the potential customer;
- g) execution of the relevant loan documents and prepare loan disbursement; and
- h) review and file the loan documents in the filing cabinets.

Monitoring loan repayment and recovery

Status of loan principal and interest collection are monitored by the Credit Committee, two managers and accounting department on a daily basis. The Credit Committee regularly communicates with borrowers regarding their financial conditions and sources of repayment to ascertain whether they have any difficulty in making repayment on time. The Credit Committee also reminds borrowers of timely repayment of loans. The two managers and accounting staff make inquiries into borrowers’ financial condition through publicly available information.

Taking actions on delinquent loans

When a loan is overdue, the Group will contact the borrower and guarantor (if any) to remind them of the possible enforcement action(s) and timing of repayment and seeking reasons for the delay in repayment. The Group will also issue demand letter to the borrowers. If the Group does not receive any favourable reply from the borrowers, the Group will instruct legal advisers to take legal actions for recovery of outstanding loan principal and accrued interest.

The action plans are determined based on the situation case by case.

MANAGEMENT DISCUSSION AND ANALYSIS

C. Tactical and/or Strategical Investments

The Group engages in tactical and/or strategical investments of a diversified portfolio overseen by a professional investment team that holds Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) licences under the Securities and Futures Ordinance (the “SFO”). Negative income from this segment amounted to HK\$21.9 million for the Reporting Period.

The Group has diversified its business activities to include property investments. Despite the adversity of the pandemic, the property market remained robust with less volatility as compared to commodities, equities and debts markets. Overall property prices in the Asia Pacific remained strong with the support of government fiscal stimuli packages that boosted investor confidence in the property market. In Hong Kong, the recently announced measures of the Hong Kong fiscal budget by the Financial Secretary on the relaxation of the cap on the value of a property eligible for mortgage loan has sparked interests in residential property investors and homeowners. The maximum property value eligible for mortgage loans up to 80% loan-to-value (LTV) ratio was amended to HK\$12 million and the maximum property value eligible for mortgage loans up to 90% LTV ratio applicable to first-time homebuyers was amended to HK\$10 million.

The Group anticipates that investors will continue to redistribute their capital towards the property market as a more defensive investment strategy amid the persistent pandemic. The Group is confident that property investment is a prudent choice which will help the Group to generate a stable and secure revenue as the property market continues to recover and leasing demand strengthen in future.

MANAGEMENT DISCUSSION AND ANALYSIS

VISION

The Group's vision is to implement its corporate strategy through building a successful portfolio of investments that is resilient, sound and of value to the shareholders of the Company.

INVESTMENT STRATEGY

The Group strives to achieve excellent results and performance through the Group's tactical and/or strategic investments segment – creating value through investment selection and disposal, and demonstrates resilience in adverse market conditions. The Group formulated a criteria to identify appropriate investments, established the basis for evaluation, and categorized such investments to reflect their significance and contribution to the Group. The holding size and holding periods are dependent upon the reasons for the acquisition, the strategic value of the investments, and the potential returns. The Group may consider realizing certain investments based on the internal resources' requirements, the increase/decrease in valuations that trigger the threshold for disposal, and the availability of alternative investment opportunities that may be superior in returns compared to existing holdings from time to time.

OUTLOOK

The management has maintained a cautious outlook on the global investment environment, in particular, Hong Kong and Mainland China. There is a primary reason for concern, and the economic risks arising from this should not be underestimated.

The risk relates to inflation, which is mainly the result of a prolonged quantitative easing measure over the years, together with pandemic aids and the import tariffs imposed by the previous US administration. The risk of inflation was so alarming that the U.S. Federal Reserve has increased the Federal Funds Rate four consecutive times. The target level of Federal Funds Rate as speculated by the market will reach 3 to 3.5%. Whether such measure alone is sufficient to curb inflation remains to be seen, but it will certainly hurt investments with a much higher borrowing cost for businesses, as well as a much higher required rate for return for equity investments demanded by equity investors.

In view of the substantial risks ahead, which are likely to worsen over the short term as assessed by the management, the Company will maintain a prudent approach in carrying out its business, in particular, provision of financial services as well as provision of credit and lending services.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS

An investment with a carrying value of 5% or more of the total assets of the Group is considered as a significant investment, or jointly as significant investments of the Group in this interim report. A breakdown of such significant investments as at 30 June 2022 is set out below:

Name of investments	Number of shares held as at 30 Jun 2022	Percentage of shareholding held as at 30 Jun 2022	Unrealised loss for the period ended 30 Jun 2022 <i>HK\$'000</i>	Unrealised loss through other comprehensive income for the period ended 30 Jun 2022 <i>HK\$'000</i>	Dividends received for the period ended 30 Jun 2022 <i>HK\$'000</i>	Approximate % to the Group's total assets as at 30 Jun 2022	Investment cost <i>HK\$'000</i>	Market value as at 30 Jun 2022 <i>HK\$'000</i>
Listed shares in Hong Kong								
- Shengjing Bank Co., Ltd. (Stock code: 2066)	293,034,000	12.52%	(2,731)	(261,000)	-	29.88%	1,972,015	1,758,204

The performance and prospects of such significant investments during the Reporting Period were as follows:

Shengjing Bank Co., Ltd. (“Shengjing”) (Stock Code: 2066)

Shengjing and its subsidiaries principally engage in the provision of corporate and personal deposits, loans and advances, settlement, treasury business and other banking services as approved by the China Banking and Insurance Regulatory Commission.

In the first half of 2022, being faced complex and changeable external environment, Shengjing actively responded to and implemented the national macro-economic and financial policies. Shengjing focused on the strategic vision of building a sound bank, persisted in seeking progress while maintaining stability, followed the business philosophy of “upgrading the scale, improving the quality, preventing the risks, stabilizing the expectations and reinforcing the disciplines”, and focused on deposit growth, development of customer base, value creation and capacity improvement. The overall business operation showed a steadily progressive trend, the business structure was continuously optimized, the development foundation was increasingly consolidated, the risk-resistance capacity was steadily improved, and the capacity of sustainable development was further enhanced.

As of 30 June 2022, the total assets of Shengjing amounted to RMB1,056,268 million, representing an increase of RMB50,142 million or 5.0%, as compared with that at the end of the previous year, the total loans and advances to customers amounted to RMB604,856 million, representing an increase of representing an increase of RMB18,823 million or 3.2%, as compared with that at the end of the previous year, the total deposits from customers amounted to RMB809,994 million, representing an increase of RMB72,961 million or 9.9% as compared with that at the end of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2022, Shengjing achieved a net profit of RMB964 million, representing a year-on-year decrease of RMB82 million or 7.9%, principally due to the fact that under the background of the downward adjustment of loan prime rate, the fierce competition in the deposit and loan business of high-quality customers and the continued impact of the repeated pandemic on certain regions and industries, Shengjing complied with national policies and regulatory requirements, continued to benefit the real economy, coordinated and balanced income, costs and risks, actively promoted the structural adjustment of assets and liabilities, so as to improve the safety of asset and the soundness of operation. Affected by the above factors, the narrowing of deposit and loan spreads, coupled with the decline in yields on financial investment in line with the decline in market interest rates, resulting in a year-on-year decline in operating income, as well as the full provision for impairment losses on assets in accordance with the principle of prudence and robustness as well as expected credit risks.

Since the beginning of the year, the downward pressure on China's economy has increased under the influence of such unexpected factors as the complex and changeable international environment and the spread of domestic pandemic. However, with the positive results achieved in the pandemic prevention and control, the State Council's package of policies and measures to solidly stabilise the economy has been implemented at a faster pace, and the economic operation has shown a trend of stabilisation and recovery, creating a relatively stable external environment for the high-quality development of banks.

In the second half of 2022, the international economic and financial environment will still face many challenges due to the slowdown of global economic growth, high inflation and the continuation of geopolitical conflicts. The foundation of domestic economic recovery still needs to be reinforced, but the long-term economic fundamentals remain unchanged. In the next stage, the state will adhere to the principle of maintaining stability, seeking progress while maintaining stability, and strengthening risk prevention and control in key areas, maintain reasonable and sufficient liquidity, make better use of the financial countercyclical regulatory role, and strive to improve the quality and efficiency of financial services to the real economy.

Shengjing will actively integrate into the overall situation of national and regional development, return to its roots and focus on its main business. Guided by the strategic vision of "building a sound bank", Shengjing will strengthen its market positioning of "serving the local economy, serving small, medium and micro enterprises, and serving urban and rural residents", thoroughly implement the business strategy of "focusing on deposit growth, customer base building, value creation, and capacity enhancement", comprehensively strengthen Party building, team building, system building, cultural construction and scientific and technological construction, unswervingly transform to large retail and inclusive financial business, and strive to build a sound bank in a new era with customer satisfaction, shareholder satisfaction, regulatory satisfaction, peer satisfaction, employee satisfaction and community satisfaction.

From a long-term perspective, Shengjing appears to have good prospects and the Company considers its investment in Shengjing has strategic investment value.

Going forward, the Group will continue to implement its corporate strategy through building a successful portfolio of investments that is resilient, sound and of value for our shareholders. Although the market sentiment is expected to gradually improve given the sufficient liquidity and post COVID-19 recovery of the economy, the overall economic outlook still remains uncertain. The Group will continue to adopt prudent capital management and liquidity risk management policies and practices to preserve adequate capital to meet the challenges ahead.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Review of Results

The Group recorded a total revenue of HK\$73.3 million for the Reporting Period, representing a decrease of 51.84% as compared with the amount of HK\$152.2 million for the Previous Period. Income from financial services segment amounted to HK\$12.0 million (Previous Period: HK\$53.7 million). Negative income from tactical and/or strategical investments segment amounted to HK\$21.9 million (Previous Period: negative income of HK\$128.1 million). Income from credit and lending services segment amounted to HK\$20.5 million (Previous Period: HK\$84.8 million).

The Group recorded a net loss of HK\$39.4 million for the Reporting Period (Previous Period: net profit of HK\$899.5 million). Basic loss per share for the Reporting Period was HK cents 0.65 (Previous Period: basic earnings per share of HK cents 14.71). The net profit of financial services segment was HK\$5.9 million (Previous Period: HK\$53.1 million). The net loss of tactical and/or strategical investments segment was HK\$40.8 million (Previous Period: net profit of HK\$790.3 million). The net profit of credit and lending services segment was HK\$7.0 million (Previous Period: HK\$47.5 million).

The Group recorded other comprehensive loss of HK\$297.1 million for the Reporting Period (Previous Period: income of HK\$111.6 million).

Capital structure

The Company has not conducted any equity fund raising activities during the Reporting Period. As at 30 June 2022, the Company has 6,109,259,139 shares in issue.

The unaudited consolidated net asset value of the Group as at 30 June 2022 was HK\$5,414.3 million, representing a decrease of HK\$326.5 million as compared with that of HK\$5,740.8 million as at 31 December 2021. The unaudited consolidated net asset value per share as at 30 June 2022 was HK\$0.89 (31 December 2021: audited HK\$0.94).

Borrowings

As at 30 June 2022, the Group's borrowings included margin loans of HK\$195 million (31 December 2021: HK\$225.4 million), an unsecured loan from an independent third party of HK\$171.7 million (31 December 2021: HK\$246.6 million) and a secured bank loan of HK\$54.2 million (31 December 2021: Nil). The bank loan is secured by a property, the book value of which as at 30 June 2022 was HK\$102.8 million. The margin loans are secured by pledge of debt and equity securities to securities brokers as collaterals, with total market value of HK\$2,072 million as at 30 June 2022 (31 December 2021: HK\$1,421 million). As at 30 June 2022, the Group's borrowings are interest bearing at HIBOR plus 1.3% per annum or at a range from 3.35% to 12.0% per annum (31 December 2021: 1.87% to 12.0% per annum) and repayable on demand or within 1 year (31 December 2021: repayable on demand or within 1 year).

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

The Group's cash and cash equivalents was HK\$577.6 million as at 30 June 2022 (31 December 2021: HK\$848.6 million). The cash and cash equivalents and securities and fund investments classified as financial assets at fair value through profit or loss in aggregate were HK\$971.0 million as at 30 June 2022 (31 December 2021: HK\$1,470.9 million).

The liquidity of the Group remained strong with a current ratio of 4.7 as at 30 June 2022 (31 December 2021: 5.6). The Group had loan payables of HK\$225.9 million as at 30 June 2022 (31 December 2021: HK\$246.6 million) and the gearing ratio of the Group (expressed as a percentage of total loan payables over total equity) was 4.2% (31 December 2021: 4.3%). The decrease in gearing ratio manifests better liquidity position and efficient financial management of the Group.

Exposure to fluctuation in exchange rates and related hedges

Save for certain bank balances that are denominated in Renminbi (“RMB”) and United States dollar (“USD”), most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollar. As at 30 June 2022, the bank balances denominated in RMB and USD amounted to HK\$185.4 million and HK\$38.1 million respectively. Therefore, the Group's exposure to the risk of foreign exchange rate fluctuations is not material. For the Reporting Period, the Group did not have any derivatives for hedging against the foreign exchange rate risk. The directors of the Company (the “Directors”) will continue to monitor the foreign exchange exposure and will consider appropriate action to mitigate such risk, when necessary.

Capital commitments

The Group did not have any capital commitments in respect of the acquisition of property and equipment as at 30 June 2022 (31 December 2021: Nil).

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2022 (31 December 2021: Nil).

MATERIAL TRANSACTIONS

(a) Disposal of shares of The Hongkong and Shanghai Hotels, Limited

On 11 February 2022, the Company disposed of 15,426,500 shares of The Hongkong and Shanghai Hotels, Limited (“HSH Shares”) (stock code: 45) through an off-market block trade at an aggregate consideration of HK\$197.46 million (before transaction costs) (equivalent to the price of HK\$12.8 per HSH Share). The aggregate net consideration of HK\$197.2 million has been received by the Company in cash on the same day. For further details, please refer to the announcements of the Company dated 11 and 22 February 2022.

(b) Subscription of shares in Future Capital Group Limited

On 17 February 2022, a wholly owned subsidiary of the Company (the “Subscriber”) and Future Capital Group Limited (“Future Capital”) entered into a subscription agreement pursuant to which Future Capital agreed to issue and the Subscriber agreed to subscribe for 3,750 ordinary shares of Future Capital (the “Subscription Shares”) at a consideration of HK\$750 million (equivalent to the price of HK\$200,000 per Subscription Share). Completion has been taken place. For further details, please refer to the announcements of the Company dated 17 February 2022 and 10 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER THE REPORTING PERIOD

There are no major subsequent events since the end of the Reporting Period and up to the date of this interim report.

LITIGATION

(a) **Writs of Summons issued by Allied Weli Development Limited and John Howard Bachelor and Kenneth Fung as Joint and Several Liquidators**

OCFL, Win Wind Capital Limited, Win Wind Investment (Holdings) Limited, Enerchine Nominee Limited and OSL (the “**Defendant Parties**”), which as of the date hereof are wholly owned subsidiaries of the Company, have been named, inter alia, as defendants in two separate writs of summons in the High Court of Hong Kong (the “**Writs**”) by the plaintiffs, Allied Weli Development Limited (in Liquidation) and John Howard Bachelor and Kenneth Fung as Joint and Several Liquidators (the “**Liquidators**”) of Allied Weli Development Limited. On 2 February 2018, the Group, through its legal advisors, requested the Liquidators to (i) serve the Writs of Summons on the Defendant Parties by 20 February 2018 as required under the Rules of the High Court (Order 12, rule 8A) or (ii) to discontinue the Writs against the Defendant Parties.

On 15 February 2018, the Group received a letter from the Liquidator’s lawyers stating, inter alia, that the Liquidators may ultimately decide not to pursue a claim against the Defendant Parties. As at 30 June 2022, neither of the Writs has been served on the Defendant Parties and it is not apparent on the face of the Writs what the nature and value of the claims against the Defendant Parties are due to the broad and ambiguous nature of the endorsement of claims. Accordingly, no provision has been made in the unaudited consolidated financial statements for the six months ended 30 June 2022. The management of the Company considers the Writs to be groundless and the Liquidator’s actions are a flagrant and calculated abuse of the law, designed solely to drag the Group’s good name and good will through the Hong Kong Courts in the hopes of profit that they will clearly not be entitled to.

(b) **Litigation between Citizens and Southwest Securities (HK) Brokerage Limited (“1st Defendant”) and Fong Siu Wai (“2nd Defendant”) (the “Defendants”)**

Citizens, a wholly owned subsidiary of the Company, is a party to a receivership proceedings (the “**Petition**”) concerning Celebrate International Holdings Limited (“**Celebrate**”), a company previously listed in Hong Kong with stock code 8212. 1st Defendant is a local corporation and 2nd Defendant is a former employee of 1st Defendant. On 19 June 2020, the Defendants maliciously published a letter to the High Court which contained false and defamatory words of and concerning Citizens, in relation to loans granted to a controlling shareholder of Celebrate. The letter alleged Citizens of unlawfully participating or providing assistance in a fraudulent and/or criminal scheme and/or a conspiracy to defraud, and creating fake loans for unlawful purposes. On 30 September 2020, Citizens served a Writ of Summons and Statement of Claim to the Defendants, suing them for libel and malicious falsehood in which the Defendants denied liability. The libel trial is currently scheduled to be heard in October 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

(c) Writ of Summons issued against David Webb

On 27 July 2021, the Group filed a Writ of Summons with a generally endorsed claim (the “**2021 Writs**”) against David Webb (the “**Defendant**”), an independent stock commentator, for defamatory comments contained in an article he has published on his website in January 2015 entitled “The bubbles in CNN”, alleging that the Group was a member of a “Chung Nam Network” which had allegedly conspired with other listed companies to manipulate stock prices. The Group considers the content of the article to be untrue, baseless and damaging to the Group’s reputation which has resulted in financial loss. In the 2021 Writs, amongst other things, the Group seeks an order that the Court issues an injunction order prohibiting the continued publication of the article and that the Defendant be ordered to compensate the Group for damages caused from the defamatory statements.

INTERIM DIVIDEND

The board of Directors (the “**Board**”) does not recommend the payment of any interim dividend for the Reporting Period. (Previous Period: nil)

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group employed 31 full time employees for its principal activities. The Group recognises the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options and awarded shares may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme and share award scheme.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SHARES

There was no purchase, sale or redemption of the Company’s listed shares by the Company or any of its subsidiaries for the Reporting Period.

AUDIT COMMITTEE

The audit committee (the “**Audit Committee**”) of the Company was established in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. As at the date of this interim report, the Audit Committee comprises five Independent Non-Executive Directors. The Audit Committee is chaired by Mr. Yu Chung Leung and the members of the Audit Committee are Hon. Chan Hak Kan, Mr. Hung Cho Sing, Mr. Lam John Cheung-wah and Dr. Lo Wing Yan, William. The Audit Committee meets regularly with the Company’s senior management and the Company’s auditor to consider the Company’s financial reporting process, the effectiveness of internal controls, the audit process and risk management. The interim results of the Group for the Reporting Period had not been audited, but had been reviewed by the Company’s auditor, Mazars CPA Limited and the Audit Committee.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE

The Board is committed to maintaining high standards of corporate governance. The Company confirms that it has complied with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the Reporting Period, all Directors have complied with the required standard set out in the Model Code.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our gratitude to all staff for their devoted efforts and hard work.

Wong Wan Men
Executive Director

Hong Kong, 31 August 2022

OTHER INFORMATION

DIRECTORS' 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 executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of director	Nature of interests	Number of shares/ underlying shares held (Note 1)	Approximate percentage of shareholding of the Company (Note 2)
Wong Wan Men	Personal interests	30,000,000 (Note 3)	0.49%
Alejandro Yemenidjian	Personal interests	120,000,000 (Note 4)	1.96%

Notes:

- (1) All the above interests in the shares and underlying shares of the Company were long positions. None of the Directors and the chief executive of the Company had any short positions in the shares, underlying shares or debentures of the Company as at 30 June 2022.
- (2) As at 30 June 2022, the Company's total number of issued shares was 6,109,259,139.
- (3) The 30,000,000 shares comprise (a) 10,000,000 shares represent Wong Wan Men's interests in awarded shares (which remained unvested as at 30 June 2022) granted by the Company; and (b) 20,000,000 shares represent Wong Wan Men's interests in share options granted by the Company. Wong Wan Men was the beneficial owner of such awarded shares and share options. Details of such awarded shares and share options are set out in the "Share Award Scheme" and "Share Option Schemes" sections below.
- (4) The 120,000,000 shares comprise (a) 60,000,000 shares represent Alejandro Yemenidjian's interests in share options granted by the Company; and (b) 60,000,000 shares of the Company. Alejandro Yemenidjian was the beneficial owner of such share options and shares. Details of such share options are set out in the "Share Option Schemes" section below.

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executives of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATION

Save as disclosed in this interim report, at no time during the period ended 30 June 2022 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors and chief executive of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors and chief executive of the Company (including any of their spouses or children under the age of 18) were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

SHARE OPTION SCHEMES

(A) 2012 Share Option Scheme

The share option scheme adopted by the Company on 17 May 2012 (the “**2012 Share Option Scheme**”) expired on 17 May 2022. No further options shall thereafter be offered under the 2012 Share Option Scheme but all the then outstanding share options granted under the 2012 Share Option Scheme continue to be valid and exercisable in accordance with the terms of the 2012 Share Option Scheme.

Details of movements in the share options of the Company granted under the 2012 Share Option Scheme during the period ended 30 June 2022 are as follows:

Name/category of grantee	Date of grant	Number of share options			Outstanding as at 30/6/2022	Exercise price per share	Exercise period
		Outstanding as at 1/1/2022	Granted during the period	Lapsed during the period			
Directors							
Wong Wan Men	22/1/2020 (Note 1)	20,000,000	-	-	20,000,000	0.865	22/1/2020 – 21/1/2030
Alejandro Yemenidjian	9/6/2020 (Note 2)	60,000,000	-	-	60,000,000	0.840	9/6/2020 – 8/6/2030
Sub-total		80,000,000	-	-	80,000,000		
Employees (In aggregate)	29/3/2019 (Note 3)	72,000,000	-	-	72,000,000	0.820	29/3/2019 – 28/3/2029
Other participants (In aggregate) (Note 4)	22/1/2020 (Note 1)	100,000,000	-	-	100,000,000	0.865	22/1/2020 – 21/1/2030
Total		252,000,000	-	-	252,000,000		

OTHER INFORMATION

Notes:

- (1) The closing price of the Company's shares on 21 January 2020, being the date immediately before the date on which the share options were granted, was HK\$0.86.
- (2) The closing price of the Company's shares on 8 June 2020, being the date immediately before the date on which the share options were granted, was HK\$0.83.
- (3) The closing price of the Company's shares on 28 March 2019, being the date immediately before the date on which the share options were granted, was HK\$0.80.
- (4) Other participants comprise nine (9) consultants.
- (5) The vesting period of the share options is from the date of grant until the commencement date of the exercise period.

No share options of the Company granted under the 2012 Share Option Scheme were exercised, cancelled or lapsed during the Reporting Period.

(B) 2022 Share Option Scheme

On 13 June 2022, the Company adopted a new share option scheme (the “**2022 Share Option Scheme**”) for the purpose of enabling the Group to (i) recognise and acknowledge the contributions that eligible persons have (or may have) made or may make to the Group (whether directly or indirectly); (ii) attract and retain and appropriately remunerate the best possible quality of employees and other eligible persons; (iii) motivate the eligible persons to optimise their performance and efficiency for the benefit of the Group; (iv) enhance its business, employee and other relations; and/or (v) retain maximum flexibility as to the range and nature of rewards and incentives which the Company can offer to eligible persons. The 2022 Share Option Scheme will remain in force for a period of 10 years until 12 June 2032.

Under the 2022 Share Option Scheme, the Board may, in its absolute discretion, offer any full time or part time employees of the Group or any directors of the Group. In exercising such discretion, the Board will assess the eligibility of the eligible persons based on their individual performance, time commitment, responsibilities or employment conditions according to the prevailing market practice and industry standard, or where appropriate, contribution to the revenue, profits or business development of the Group during the financial year or in the future.

As at 30 June 2022, the total number of shares available for issue under the 2022 Share Option Scheme was 610,925,913, representing 10% of the shares of the Company in issue as at the date of adoption of the 2022 Share Option Scheme.

During the six months ended 30 June 2022, no share options were granted, exercised, cancelled or lapsed under the 2022 Share Option Scheme. Also, there were no outstanding share options granted under the 2022 Share Option Scheme as at 30 June 2022.

OTHER INFORMATION

SHARE AWARD SCHEME

The share award scheme (the “**Share Award Scheme**”) was adopted by the shareholders at a special general meeting of the Company held on 19 December 2019. The objectives of the Share Award Scheme are: (i) to recognise the contributions by certain eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group’s existing and other new potential business, including integrated resort development; and (ii) to attract suitable personnel with relevant experience in the Group’s existing and other new potential business, including integrated resort development. The Share Award Scheme will remain in force for a period of 10 years until 18 December 2029.

The maximum number of awarded shares that may be granted pursuant to the Share Award Scheme would be 10% of the issued share capital of the Company at the date of adoption of the Share Award Scheme (the “**Share Award Scheme Mandate Limit**”), being 581,176,628 shares. Subject to the Share Award Scheme Mandate Limit, the maximum number of awarded shares that may be granted in any financial year would be 3% of the issued share capital of the Company (the “**Annual Limit**”) provided that if the Annual Limit is not fully utilised in any financial year, further awarded shares may be granted by the Board in subsequent financial year(s) up to such Annual Limit. The Annual Limit may be refreshed by shareholders so that the Annual Limit refreshed shall not exceed 3% of the issued share capital of the Company as at the date of the general meeting approving such refreshment. The maximum aggregate number of the awarded shares which may be granted to a selected grantee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

Pursuant to an ordinary resolution passed at the Company’s annual general meeting held on 13 June 2022, the Annual Limit was refreshed to 183,277,774, representing 3% of the issued share capital of the Company as at the date of such meeting.

Details of movements in the awarded shares of the Company granted under the Share Award Scheme during the period ended 30 June 2022 are as follows:

Name/category of grantee	Date of grant	Number of awarded shares			Outstanding as at 30/6/2022	Vesting date
		Outstanding as at 1/1/2022	Granted during the period	Lapsed during the period		
Director						
Wong Wan Men	22/1/2020	10,000,000	–	–	10,000,000	22/1/2024
Other participants (In aggregate) (Note)	22/1/2020	85,000,000	–	–	85,000,000	22/1/2024
Total		95,000,000	–	–	95,000,000	

Note: Other participants comprise of nine (9) consultants.

During the six months ended 30 June 2022, no awarded shares were granted, exercised, cancelled or lapsed under the Share Award Scheme.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

At 30 June 2022, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the substantial shareholders/other persons in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of issued ordinary shares held (Note 1)	Approximate percentage of shareholding of the Company (Note 2)
Suen Cho Hung, Paul ("Mr. Suen") (Note 3)	Interest of controlled corporation	1,215,296,600	19.89%
Seekers Creation Limited ("Seekers")	Beneficial owner	1,215,296,600	19.89%
Mak Siu Hang, Viola ("Ms. Mak") (Note 4)	Interest of controlled corporation	575,003,000	9.41%
VMS Investment Group Limited ("VMS")	Beneficial owner	575,003,000	9.41%

Notes:

- (1) All the above interests in the shares of the Company were long positions.
- (2) As at 30 June 2022, the Company's total number of issued shares was 6,109,259,139.
- (3) Mr. Suen has 55% interest in Seekers. Accordingly, Mr. Suen was deemed to be interested in the shares of the Company held by Seekers.
- (4) Ms. Mak has 100% interest in VMS. Accordingly, Ms. Mak was deemed to be interested in the shares of the Company held by VMS.

Save as disclosed above, as at 30 June 2022, the Company has not been notified of any interests or short positions in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO.

CHANGE IN INFORMATION OF DIRECTORS

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

Hon. Chan Hak Kan ("Hon. Chan") has been appointed as a member of the Executive Council of Hong Kong, a member of the Advisory Board of Po Leung Kuk and the Chairman of the Panel on Security of the Legislative Council of Hong Kong with effect from 1 July 2022, 21 March 2022 and 25 January 2022 respectively. Also, Hon. Chan ceased to be a member of the Advisory Board of Tung Wah Group Hospitals with effect from 30 September 2021.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

mazars

MAZARS CPA LIMITED

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To the board of directors of
Oshidori International Holdings Limited
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 25 to 50, which comprises the condensed consolidated statement of financial position of Oshidori International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) as at 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months period then ended and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“**HKAS**”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Mazars CPA Limited
Certified Public Accountants

Hong Kong, 31 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	Six months ended	
		30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Revenue			
Advisory, commission income and other fee income		346	4,988
Net gain (loss) on sales of financial assets at fair value through profit or loss ("FVPL")		38,697	(3,589)
Interest income		32,141	141,141
Dividend income		2,069	9,626
Total revenue	3	73,253	152,166
Other income	4	11,243	19,966
Other net (losses) gains	5	(27,380)	19,421
Net unrealised fair value loss on financial assets at FVPL	3	(62,740)	(141,808)
Gain on bargain purchase from acquisition of an associate		–	1,157,009
Reversal (Provision) of impairment loss in respect of loan receivables, net	14(c)	16,643	(23,339)
Depreciation and amortisation expenses		(15,595)	(16,399)
Employee benefits expenses	6	(14,359)	(14,780)
Other expenses	6	(30,561)	(112,111)
Share of results of associates		1,081	(155,353)
Share of results of a joint venture		22,553	–
Finance costs	6	(11,277)	(9,057)
(Loss) Profit before taxation	6	(37,139)	875,715
Income tax (expense) credit	7	(2,310)	23,825
(Loss) Profit for the period		(39,449)	899,540
Other comprehensive (loss) income:			
<i>Item that will not be reclassified to profit or loss</i>			
Fair value change on equity investments measured at fair value through other comprehensive income ("Designated FVOCI")		(296,311)	111,401
<i>Items that are reclassified or may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation to presentation currency		(833)	215

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Note	Six months ended	
		30 June 2022	30 June 2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Total other comprehensive (loss) income for the period		(297,144)	111,616
Total comprehensive (loss) income for the period		(336,593)	1,011,156
		<i>HK cents</i>	<i>HK cents</i>
(Loss) Earnings per share	9		
Basic		(0.65)	14.71
Diluted		(0.65)	14.71

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Non-current assets			
Property and equipment	10	155,274	162,035
Investment property		102,750	102,750
Right-of-use assets		6,707	10,554
Designated FVOCI	11	3,233,609	2,781,999
Debt investment at amortised cost	12	100,000	–
Financial assets at FVPL	16	2,492	2,497
Interests in associates	13	52,663	50,736
Interests in a joint venture		2,553	–
Intangible assets		9,616	9,866
Other deposits		867	1,354
Loan receivables	14	12,314	12,405
		3,678,845	3,134,196
Current assets			
Trade, loan and other receivables	14	1,107,997	1,427,067
Income tax recoverable		1,152	2,666
Promissory note receivable	15	–	144,000
Financial assets at FVPL	16	496,396	725,245
Bank balances – trust and segregated accounts		22,256	27,203
Cash and cash equivalents		577,585	848,645
		2,205,386	3,174,826
Current liabilities			
Trade and other payables	17	235,441	309,585
Lease liabilities		5,224	6,623
Income tax payable		1,377	1,377
Interest-bearing borrowings	18	225,931	246,568
		467,973	564,153
Net current assets		1,737,413	2,610,673
Total assets less current liabilities		5,416,258	5,744,869
Non-current liabilities			
Lease liabilities		1,634	4,023
Deferred taxation		277	–
		1,911	4,023
NET ASSETS		5,414,347	5,740,846
Capital and reserves			
Share capital	19	305,463	305,463
Reserves		5,108,884	5,435,383
TOTAL EQUITY		5,414,347	5,740,846

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Attributable to equity holders of the Company							
Note	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Contribution surplus HK\$'000	Investment revaluation reserve (non-recycling) HK\$'000	Share option reserve HK\$'000	Share award reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
	305,463	194,215	(74,389)	5,682,380	(485,250)	107,225	40,374	(29,172)	5,740,846
	-	-	-	-	-	-	-	(39,449)	(39,449)
	Other comprehensive loss								
	<i>Items that will not be reclassified to profit or loss</i>								
	Fair value change on Designated FVOCI								
	-	-	-	-	(296,311)	-	-	-	(296,311)
	Fair value change on Designated FVOCI reclassified to retained earnings upon disposal								
	-	-	-	-	31,489	-	-	(31,489)	-
	-	-	-	-	(264,822)	-	-	(31,489)	(296,311)
	<i>Item that is reclassified or may be reclassified subsequently to profit or loss</i>								
	Exchange differences arising on translation to presentation currency								
	-	-	(833)	-	-	-	-	-	(833)
	-	-	(833)	-	(264,822)	-	-	(31,489)	(297,144)
	-	-	(833)	-	(264,822)	-	-	(70,938)	(336,593)
	Transactions with owners:								
	<i>Contribution and distribution</i>								
	Recognition of equity-settled share-based payments 20								
	-	-	-	-	-	-	10,094	-	10,094
	-	-	-	-	-	-	10,094	-	10,094
	305,463	194,215	(75,222)	5,682,380	(750,072)	107,225	50,468	(100,110)	5,414,347

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

Note	Attributable to equity holders of the Company								Non-controlling interests				
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Contribution surplus HK\$'000	Investment revaluation reserve (non-recycling) HK\$'000	Share option reserve HK\$'000	Share award reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Share of other equity components HK\$'000	Investment revaluation reserve (non-recycling) HK\$'000	Total HK\$'000	Total HK\$'000
At 1 January 2021 (Audited)	305,680	196,198	(74,719)	5,682,380	318,506	107,225	20,187	3,379,907	9,935,364	6,245	(4,440)	1,805	9,937,169
Profit for the period	-	-	-	-	-	-	-	899,540	899,540	-	-	-	899,540
Other comprehensive income													
<i>Items that will not be reclassified to profit or loss</i>													
Fair value change on Designated FVOCI	-	-	-	-	111,401	-	-	-	111,401	-	-	-	111,401
Fair value change on Designated FVOCI reclassified to retained earnings upon disposal	-	-	-	-	(16,194)	-	-	16,194	-	-	-	-	-
	-	-	-	-	95,207	-	-	16,194	111,401	-	-	-	111,401
<i>Item that is reclassified or may be reclassified subsequently to profit or loss</i>													
Exchange differences arising on translation to presentation currency	-	-	215	-	-	-	-	-	215	-	-	-	215
Total other comprehensive income for the period	-	-	215	-	95,207	-	-	16,194	111,616	-	-	-	111,616
Total comprehensive income for the period	-	-	215	-	95,207	-	-	915,734	1,011,156	-	-	-	1,011,156
Transactions with owners:													
<i>Contribution and distribution</i>													
Recognition of equity-settled share-based payments	20	-	-	-	-	-	10,094	-	10,094	-	-	-	10,094
Change in non-controlling interest arising from increase in the Group's shareholding in a subsidiary	-	-	-	-	-	-	-	(5,828)	(5,828)	(6,245)	4,440	(1,805)	(7,633)
Total transactions with owners	-	-	-	-	-	-	10,094	(5,828)	4,266	(6,245)	4,440	(1,805)	2,461
At 30 June 2021 (Unaudited)	305,680	196,198	(74,504)	5,682,380	413,713	107,225	30,281	4,289,813	10,950,786	-	-	-	10,950,786

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	Six months ended	
		30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		438,315	(249,802)
INVESTING ACTIVITIES			
Dividend received		2,069	9,626
Interest received		7,340	9,223
Purchase of property and equipment	10	(4,988)	(466)
Proceeds from disposal of property and equipment	10	251	–
Purchase of Designated FVOCI		(917,766)	(131,555)
Proceeds from disposal of Designated FVOCI		169,845	130,340
Purchase of debt investment at amortised cost	12	(100,000)	–
Redemption of promissory note receivable	15	144,000	200,000
Injection of fund to a newly setup joint venture		(400,000)	–
Capital and dividend distribution received from a joint venture		420,000	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(679,249)	217,168
FINANCING ACTIVITIES			
Drawdown of interest-bearing borrowings		230,000	–
Repayment of interest-bearing borrowings		(255,818)	–
Repayment of lease liabilities		(3,788)	(5,464)
Cash outflow arising from acquisition of non-controlling interests in a subsidiary		–	(7,633)
NET CASH USED IN FINANCING ACTIVITIES		(29,606)	(13,097)
Net decrease in cash and cash equivalents		(270,540)	(45,731)
Cash and cash equivalents at beginning of the reporting period		848,645	683,299
Effect on exchange rate changes on cash and cash equivalents		(520)	(116)
Cash and cash equivalents at end of the reporting period, represented by cash and bank balances		577,585	637,452

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. CORPORATE INFORMATION

Oshidori International Holdings Limited (the “**Company**”) is a public limited company incorporated in Bermuda as an exempted company and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the registered office and principal place of business of the Company are disclosed in the corporate information section to the interim report.

The Company and its subsidiaries (together the “**Group**”) principally engage in investment holdings, tactical and/or strategical investments, and the provisions of (i) securities brokerage services, (ii) margin financing services, (iii) placing and underwriting services, (iv) corporate finance advisory services, (v) investment advisory and asset management services, and (vi) credit and lending services.

Certain group entities are licensed under the Hong Kong Securities and Futures Ordinance with the following regulated activities:

- Type 1: Dealing in securities
- Type 2: Dealing in futures contracts
- Type 4: Advising on securities
- Type 6: Advising on corporate finance
- Type 8: Securities margin financing
- Type 9: Asset management

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated financial statements of the Group for the six months ended 30 June 2022 (the “**Interim Financial Statements**”) are prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. The Interim Financial Statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021. The accounting policies adopted in preparing the Interim Financial Statements are consistent with those in the preparation of the Group’s annual financial statements for the year ended 31 December 2021, except for the adoption of the new/revised standards of Hong Kong Financial Reporting Standards (“**HKFRSs**”) which are relevant to the Group’s operation and are effective for the Group’s financial year beginning on 1 January 2022 as described below.

Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs	2018–2020 Cycle

The adoption of these new/revised HKFRSs in the current period had no significant impacts on the results and financial position of the Group for the current and prior periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

3. REVENUE AND SEGMENT INFORMATION

The Group determines its operating segment and measurement of segment profit based on the internal reports to executive directors, the Group's chief operating decision makers, for the purposes of resource allocation and performance assessment.

The Group's reportable and operating segments are as follows:

Financial services	Provision of securities brokerage, margin financing, placing and underwriting, corporate finance advisory, investment advisory and asset management services
Tactical and/or strategical investments	Investment in financial instruments
Credit and lending services	Provision of credit and lending services

Segment revenue and results

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

For the six months ended 30 June 2022 (Unaudited)

	Financial services HK\$'000	Tactical and/ or strategical investments HK\$'000	Credit and lending services HK\$'000	Consolidated HK\$'000
Revenue				
Advisory, commission income and other fee income	346	-	-	346
Net gain on sales of financial assets at FVPL	-	38,697	-	38,697
Interest income	11,646	-	20,495	32,141
Dividend income	-	2,069	-	2,069
Total revenue	11,992	40,766	20,495	73,253
Net unrealised fair value loss on financial assets at FVPL	(39)	(62,701)	-	(62,740)
Segment revenue	11,953	(21,935)	20,495	10,513
Segment profit (loss)	5,923	(40,766)	6,957	(27,886)
Unallocated other income				8,915
Unallocated other net losses				(6,792)
Share of results of associates				1,081
Share of results of a joint venture				22,553
Unallocated finance costs				(606)
Central corporate expenses				(34,404)
Loss before taxation				(37,139)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the six months ended 30 June 2021 (Unaudited)

	Financial services HK\$'000	Tactical and/ or strategical investments HK\$'000	Credit and lending services HK\$'000	Consolidated HK\$'000
Revenue				
Advisory, commission income and other fee income	4,988	–	–	4,988
Net loss on sales of financial assets at FVPL	–	(3,589)	–	(3,589)
Interest income	48,735	7,644	84,762	141,141
Dividend income	–	9,626	–	9,626
Total revenue	53,723	13,681	84,762	152,166
Net unrealised fair value loss on financial assets at FVPL	–	(141,808)	–	(141,808)
Segment revenue	<u>53,723</u>	<u>(128,127)</u>	<u>84,762</u>	<u>10,358</u>
Segment profit	<u>53,111</u>	<u>790,313</u>	<u>47,480</u>	890,904
Unallocated other income				1,560
Unallocated other net gains				18,943
Unallocated finance costs				(146)
Central corporate expenses				<u>(35,546)</u>
Profit before taxation				<u>875,715</u>

Segment revenue includes revenue from financial services, tactical and/or strategical investments and credit and lending services. In addition, the chief operating decision makers also consider net unrealised fair value loss on financial assets at FVPL as segment revenue.

Segment result represents the profit earned or loss incurred by each segment without allocation of certain other income, certain other net (losses) gains, share of results of associates, share of results of a joint venture, certain finance costs and the central corporate expenses. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

At 30 June 2022 (Unaudited)

	Financial services HK\$'000	Tactical and/ or strategical investments HK\$'000	Credit and lending services HK\$'000	Consolidated HK\$'000
Segment assets	968,988	3,732,667	430,702	5,132,357
Unallocated property and equipment				152,839
Investment property				102,750
Right-of-use assets				6,707
Interests in associates				52,663
Interests in a joint venture				2,553
Unallocated intangible assets				4,208
Unallocated other receivables				13,857
Unallocated financial assets at FVPL				105,438
Income tax recoverable				1,152
Unallocated cash and cash equivalents				309,707
Consolidated assets				5,884,231
Segment liabilities	28,140	287,885	75,020	391,045
Unallocated other payables				16,145
Lease liabilities				6,858
Unallocated interest-bearing borrowings				54,182
Income tax payable				1,377
Deferred taxation				277
Consolidated liabilities				469,884

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

At 31 December 2021 (Audited)

	Financial services HK\$'000	Tactical and/ or strategical investments HK\$'000	Credit and lending services HK\$'000	Consolidated HK\$'000
Segment assets	611,846	3,578,102	1,419,932	5,609,880
Unallocated property and equipment				158,477
Investment property				102,750
Right-of-use assets				10,554
Interests in associates				50,736
Unallocated intangible assets				4,458
Unallocated other receivables				15,856
Unallocated financial assets at FVPL				105,438
Income tax recoverable				2,666
Unallocated cash and cash equivalents				248,207
Consolidated assets				6,309,022
Segment liabilities	69,982	468,187	128	538,297
Unallocated other payables				17,856
Lease liabilities				10,646
Income tax payable				1,377
Consolidated liabilities				568,176

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than certain property and equipment, investment property, right-of-use assets, interests in associates, interests in a joint venture, certain intangible assets, certain other receivables, certain financial assets at FVPL, income tax recoverable and certain cash and cash equivalents.
- all liabilities are allocated to operating and reportable segments other than certain other payables, lease liabilities, certain interest-bearing borrowings, income tax payable and deferred taxation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

4. OTHER INCOME

	Note	Six months ended	
		30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Interest income on:			
– bank deposits		1,839	1,578
– promissory note receivable		–	7,854
– financial assets arising from a financing arrangement	16(b)	5,500	–
– others		1	1
		7,340	9,433
Property licence fee income		1,200	–
Handling fee income		69	4,567
Scrip fee income		342	2,262
Others		2,292	3,704
		11,243	19,966

5. OTHER NET (LOSSES) GAINS

	Notes	Six months ended	
		30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Bad debt written off		(310)	–
Gain on deemed disposal of an associate	13	846	–
Loss on disposal of loan receivables	14(c)	(20,086)	–
Net exchange (loss) gain		(7,830)	2,640
Recovery on doubtful consideration receivables		–	16,781
		(27,380)	19,421

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

6. (LOSS) PROFIT BEFORE TAXATION

This is stated after charging:

	Six months ended	
	30 June 2022	30 June 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Finance costs		
Interest on bank loan	339	–
Interest on other loans	5,912	5,703
Interest on margin financing	4,759	3,208
Imputed interest on lease liabilities	267	146
	11,277	9,057
Employee benefits expenses (including directors' emoluments)		
Salaries and other benefits	13,057	13,454
Retirement benefit scheme contributions	239	263
Share-based payment expenses	1,063	1,063
	14,359	14,780
Other expenses		
Business development expenses	5,220	84,607
Business registration fees, statutory fees and listing fees	1,026	900
Financial information charges	884	998
Handling and settlement expenses	270	1,890
Insurance	902	782
Investment transaction cost	1,883	1,873
Lease payments for short-term leases	–	200
Legal and professional fees	3,681	2,898
Marketing expenses	4,085	3,181
Other operating expenses	3,131	4,073
Other tax expenses	448	1,678
Share-based payment expenses to service providers	9,031	9,031
	30,561	112,111

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

7. INCOME TAX EXPENSE (CREDIT)

The profits tax rate for the first HK\$2,000,000 assessable profits arising from Hong Kong of qualifying entities will be taxed at 8.25%, and assessable profits arising from Hong Kong above HK\$2,000,000 will continue to be taxed at the rate of 16.5%. As only one of the subsidiaries in the Group is eligible to elect the two-tiered profits tax rates, profits of the remaining subsidiaries of the Group will continue to be taxed at a flat rate of 16.5%.

For the six months ended 30 June 2022 and 2021, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime.

	Six months ended	
	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Current tax		
Hong Kong Profits Tax	2,033	10,174
Deferred taxation		
Origination and reversal of temporary difference	277	(33,999)
Income tax expense (credit)	2,310	(23,825)

8. DIVIDENDS

The directors of the Company (the “**Directors**”) do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on (loss) profit attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the period as follows:

(Loss) Earnings

	Six months ended	
	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
(Loss) Profit for the period attributable to equity shareholders of the Company, for the purpose of basic and diluted (loss) earnings per share	(39,449)	899,540

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

9. (LOSS) EARNINGS PER SHARE (Continued)

Number of shares

	Six months ended	
	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Weighted average number of ordinary shares, for the purpose of basic and diluted (loss) earnings per share (Note)	6,109,259,139	6,113,609,139

Note:

The computation of diluted (loss) earnings per share for the periods ended 30 June 2022 and 2021 did not assume the exercise of certain share options and the issue of certain shares awarded since their assumed exercise and issue during the periods would have an anti-dilutive effect on the basic (loss) earnings per share amount presented.

10. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired and disposed property and equipment of approximately HK\$4,988,000 and HK\$251,000 respectively (six months ended 30 June 2021: acquired property and equipment of approximately HK\$466,000).

11. DESIGNATED FVOCI

	Note	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Equity securities – listed			
Listed in Hong Kong		2,428,888	2,709,569
Listed in the United States		22,138	24,589
		2,451,026	2,734,158
Equity securities - unlisted		712,583	47,841
Deferred day-one loss		70,000	–
	(a)	782,583	47,841
		3,233,609	2,781,999

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

11. DESIGNATED FVOCI (Continued)

Note:

- (a) As at 30 June 2022, the amount represented the investments in unlisted equity securities issued by private entities, of which HK\$680,000,000 represented the investment in Future Capital Group Limited (“**Future Capital**”).

On 17 February 2022, the Group entered into a subscription agreement with Future Capital, an independent third party incorporated in the Cayman Islands, to subscribe 3,750 newly issued shares, which represents 17.81% equity interests of Future Capital, at a consideration of HK\$750,000,000 which was settled by cash. Future Capital and its subsidiaries principally engage in property investment holding in Hong Kong. The transaction was completed on 10 March 2022. The Group irrevocably designated the investment in Future Capital as Designated FVOCI because the Group intends to hold for long term strategic purposes. At the initial recognition as Designated FVOCI, the fair value of investment in Future Capital was HK\$680,000,000, which was determined based on valuation carried out by independent professional valuer. As the fair value determination is not evidenced by a quoted price in an active market or based on a valuation technique that uses only data from observable markets, the Group should defer the difference of HK\$70,000,000 between the transaction price and fair value of investment in Future Capital at acquisition date as a day-one loss.

12. DEBT INVESTMENT AT AMORTISED COST

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Senior notes	100,000	–

As at 30 June 2022, the Group held senior notes issued by a company listed in Hong Kong which bear interest at 9.5% per annum payable semi-annually and will be due on 30 June 2025 (31 December 2021: Nil).

13. INTERESTS IN ASSOCIATES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Unlisted shares		
Shares of net assets	52,663	50,736

As at 30 June 2022, interests in associates mainly represented the Group’s interests in 23.08% (31 December 2021: 30%) of the issued ordinary share capital of Hope Capital Limited (“**Hope Capital**”).

On 26 May 2022, Hope Capital issued 60 new shares to an independent third party investor at a consideration of HK\$55,000,000. Upon the completion of the share subscription, the Group’s equity interests in Hope Capital reduced from 30% to 23.08% which resulted in a gain on deemed disposal of approximately HK\$846,000 and was recognised in the profit or loss for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

14. TRADE, LOAN AND OTHER RECEIVABLES

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade receivables			
Trade receivables arising from the business of securities brokerage			
		104	99
		– cash clients	
	(b)	819,635	440,457
	(a)	819,739	440,556
Trade receivable arising from the provision of corporate finance advisory services			
		–	310
		819,739	440,866
Loan receivables			
Loan and interest receivables from independent third parties			
		310,366	1,027,435
		(31,695)	(49,034)
	(c)	278,671	978,401
		(12,314)	(12,405)
		266,357	965,996
Other receivables			
	(d)	5,439	1,781
		16,462	38,424
		–	(20,000)
		21,901	20,205
	(e)	1,107,997	1,427,067

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

14. TRADE, LOAN AND OTHER RECEIVABLES (Continued)

Notes:

- (a) No aging analysis by invoice date is disclosed as in the opinion of the Directors, the aging analysis does not give additional value in view of the nature of securities brokerage business. The Group offsets certain trade receivables against trade payables when the Group currently has a legally enforceable right to set off the balances; and intends to settle on a net basis or to realise the balances simultaneously.
- (b) Trade receivables from margin clients are repayable on demand and bear interests ranging from 5% to 30% (31 December 2021: 8% to 30%) per annum at the end of the reporting period. The loans are secured by pledged marketable securities with a total fair value of approximately HK\$1,903,944,000 (31 December 2021: approximately HK\$2,153,150,000). The Group is permitted to sell or repledge the marketable securities if the customers default on the payment when requested by the Group. During the six months ended 30 June 2022 and 2021, no margin loans were granted to the Directors or directors of subsidiaries.
- (c) At the end of the reporting period, the Group's net loan receivables included both fixed and variable rate loan advances to independent third parties was approximately HK\$278,671,000 (31 December 2021: approximately HK\$978,401,000). Among these loan receivables, approximately HK\$59,644,000, approximately HK\$9,836,000, and approximately HK\$10,117,000 (totalling approximately HK\$79,597,000) (31 December 2021: totalling approximately HK\$129,988,000) were secured by the pledge of securities, pledge of properties and personal guarantees respectively, and bearing interests ranging from 5% to 15% (31 December 2021: 5% to 15%) per annum. Out of these secured loan receivables, approximately HK\$79,339,000 had contractual loan period between 1 year and 2 years and approximately HK\$258,000 had contractual loan period over 5 years (31 December 2021: between 18 months and 7 years). The remaining balance of approximately HK\$199,074,000 (31 December 2021: approximately HK\$848,413,000) were unsecured, and bearing interests ranging from 3% to 15% (31 December 2021: 3% to 36%) per annum. Out of these unsecured loan receivables, approximately HK\$147,254,000 has contractual loan period between 1 year and 2 years, approximately HK\$39,422,000 has contractual loan period between 2 year and 5 years and approximately HK\$12,398,000 has contractual loan period over 5 years (31 December 2021: between 6 months and 5 years and over 5 years).

During the six months ended 30 June 2022, the Group recovered a loan receivable by way of disposal of the loan to an independent third party at a consideration of HK\$15,000,000 which was settled by cash. The then carrying amount of the loan was approximately HK\$35,086,000 and such recovery resulted in a loss of approximately HK\$20,086,000.

The amount granted to individuals and corporates depends on management's assessment of credit risk of the customers by evaluation on background check (such as their background, and financial position for individual borrowers and their industry and financial position for corporate borrowers) and repayment abilities. During the six months ended 30 June 2022, the Group recognised a reversal of impairment loss in respect of loan receivables of approximately HK\$16,643,000 (six months ended 30 June 2021: provision of impairment loss of approximately HK\$23,339,000).

Aging analysis of loan receivables (net of loss allowance) prepared based on contractual due date is as follows:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Not yet past due	219,027	913,911
7 to 12 months past due	59,644	64,490
At the end of the reporting period	278,671	978,401

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

14. TRADE, LOAN AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(c) (Continued)

As at 30 June 2022, the Group has concentration of credit risk on loans to independent third parties as the exposure to the largest customer and the five largest customers represents 53% and 96% (31 December 2021: 15% and 64%) respectively of the total loans granted by the Group within the credit and lending services segment. Management of the Group monitors the exposure from time to time to assess their recoverability.

- (d) Deposits with securities brokers represented the funds deposited with the brokers' houses for securities trading purpose.
- (e) The amount is expected to be recovered within one year, except for the deposits of approximately HK\$12,549,000 (31 December 2021: approximately HK\$13,436,000).

15. PROMISSORY NOTE RECEIVABLE

As at 31 December 2021, the amount represented a zero-coupon promissory note at principal amount of HK\$144,000,000 maturing on 31 March 2022. The promissory note was early settled on 10 January 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

16. FINANCIAL ASSETS AT FVPL

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Mandatorily measured at FVPL:			
– Listed shares in Hong Kong		262,627	496,498
– Listed shares in the United States		1,364	2,546
– Unlisted investment funds	(a)	129,459	123,260
– Financial assets arising from a financing arrangement	(b)	105,438	105,438
		498,888	727,742
Analysed as:			
Non-current		2,492	2,497
Current		496,396	725,245
		498,888	727,742

Notes:

- (a) The unlisted investment funds are mainly subscribed from independent financial institutions. The portfolios of these funds mainly comprise securities listed in Hong Kong and overseas and unlisted debt and equity securities in Asia-Pacific region. The funds are redeemable at the discretion of the Group from time to time and the intention of holding them was for short-term investment, except for certain unlisted investment funds of approximately HK\$2,492,000 (31 December 2021: HK\$2,497,000) which was held for long-term investment.
- (b) The amount represented the consideration of HK\$110,000,000 paid to an independent third party (the “Vendor”) to acquire the entire interest of Siston Holdings Limited and its wholly owned subsidiary, High Step Investment Limited (together the “Siston Group”) on 31 August 2021. The principal activity of Siston Group is property investment.

On 1 September 2021, the Group signed a licence agreement and a call option agreement with the Vendor to grant the Vendor a licence to use the property for residential use only for a licence period of six months till 1 March 2022 and a right to repurchase the entire interest of the Siston Group at the original consideration of HK\$110,000,000 within one month after the expiry of licence agreement. On 9 February 2022, a new licence agreement and an addendum to call option agreement were signed to extend the licence period for another six months till 1 September 2022 and amend the effective date of the call option to one month after the expiry of the new licence agreement.

The transfer of assets with the above arrangement does not satisfy the requirement of HKFRS 15 to be accounted for as a sales and purchase of assets and the relevant financial assets including the transfer proceeds together with the call option are accounted for under financial assets at FVPL.

During the six months ended 30 June 2022, licence fee of HK\$5,500,000 (six months ended 30 June 2021: Nil) was classified as interest income from financial asset at FVPL.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

17. TRADE AND OTHER PAYABLES

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade payables			
Trade payables arising from the business of securities brokerage			
– cash clients	(a)	495	483
– margin clients	(a)	21,111	22,077
– Hong Kong Securities Clearing Company Limited (“HKSCC”)	(b)	2,441	42,927
Secured margin loans from securities brokers	(c)	194,964	225,382
		219,011	290,869
Other payables			
Other payables and accrued charges			
		16,430	18,716
		235,441	309,585

Notes:

- (a) Trade payables to cash and margin clients are repayable on demand. In the opinion of the Directors, no aging analysis is disclosed as the aging analysis does not give additional value.
- (b) The settlement terms of trade payables arising from the provision of securities brokerage business with HKSCC are usually two days after trade date.
- (c) For secured margin loans from securities brokers, the loans are repayable on demand (except certain balances arising from trades pending settlement or margin deposits) and are interest-bearing at a range from 3.35% to 12% per annum (31 December 2021: 1.87% to 12% per annum). The total market value of debt and equity securities pledged as collateral in respect of the loans was approximately HK\$2,072,093,000 (31 December 2021: HK\$1,420,924,000) as at 30 June 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

18. INTEREST-BEARING BORROWINGS

		30 June 2022	31 December 2021
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Secured bank loan	(a)	54,182	–
Unsecured other loans	(b)	171,749	246,568
		225,931	246,568

Notes:

- (a) The bank loan as at 30 June 2022 is secured by the Group's investment property with carrying value of HK\$102,750,000 and corporate guarantees provided by the Group's subsidiaries. The loan is interest bearing at Hong Kong Interbank Offered Rate plus 1.3% per annum. At the end of the reporting period, the bank loan with a clause in their terms that gives the bank an overriding right to demand for repayment without notice or with notice period of less than 12 months at their sole discretion are classified as current liabilities even though the Directors do not expect that the banks would exercise their right to demand repayment.
- (b) The loans from independent third parties as at 30 June 2022 are unsecured, interest bearing ranging from 4% to 5% (31 December 2021: 5%) per annum and repayable within 1 year (31 December 2021: within 1 year) from drawdown date.

19. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.05 each (31 December 2021: HK\$0.05 each)		
Authorised:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	20,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2021	6,113,609,139	305,680
Cancellation of repurchased shares	(4,350,000)	(217)
At 31 December 2021, 1 January 2022 and 30 June 2022	6,109,259,139	305,463

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

20. SHARE OPTION AND SHARE AWARD SCHEMES**2012 Share Option Scheme**

On 17 May 2012, the Company adopted a share option scheme (the “**2012 Share Option Scheme**”) which has a life of ten years from 17 May 2012. Under the 2012 Share Option Scheme, the Directors may, at their discretion, offer the eligible persons (including directors) of the Company or its subsidiaries options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

During the six months ended 30 June 2022, no share options were granted, exercised or lapsed under the 2012 Share Option Scheme (six months ended 30 June 2021: Nil).

The 2012 Share Option Scheme expired on 17 May 2022, no further options will be granted thereunder.

The following tables disclose details of the Company’s share options held by eligible persons (including directors) and movement in such holdings during the six months ended 30 June 2022:

	Number of the share options			
	Outstanding at 1 January 2022	Granted during the period	Outstanding at 30 June 2022	Exercisable at 30 June 2022
2012 Share Option Scheme				
Directors	80,000,000	–	80,000,000	80,000,000
Employees	72,000,000	–	72,000,000	72,000,000
Other participants	100,000,000	–	100,000,000	100,000,000
	252,000,000	–	252,000,000	252,000,000
Weighted average exercise price	HK\$0.85	–	HK\$0.85	HK\$0.85

2019 Share Award Scheme

On 19 December 2019, the Company adopted a share award scheme (the “**2019 Share Award Scheme**”) which has a life of ten years from 19 December 2019. Under the 2019 Share Award Scheme, the Directors may, at their discretion, issue awarded shares to the eligible persons (including directors) of the Company or its subsidiaries subject to the terms and conditions stipulated therein.

On 22 January 2020, the Company granted 95,000,000 awarded shares to 10 eligible persons under the 2019 Share Award Scheme which shall be vested on the fourth anniversary of the date of grant (i.e. 22 January 2024), subject to the grantees remain as eligible persons on 22 January 2024 and all of the other conditions being satisfied. The share-based payment expenses shall be recognised with reference to the fair value of the shares granted determined based on the share price of the Company at the date of grant over 4 years from the date of grant on a straight line basis. During the six months ended 30 June 2022, the Group recognised approximately HK\$10,094,000 (six months ended 30 June 2021: approximately HK\$10,094,000) as the equity-settled share-based payment expenses with the corresponding amounts being credited to share award reserve.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

20. SHARE OPTION AND SHARE AWARD SCHEMES (Continued)

2019 Share Award Scheme (Continued)

During the six months ended 30 June 2022, no awarded shares were granted under 2019 Share Award Scheme.

Movements of the awarded shares granted under the 2019 Share Award Scheme during the six months ended 30 June 2022 are as follows:

	Number of awarded shares		
	At 1 January 2022	Granted during the period	Unvested at 30 June 2022
2019 Share Award Scheme			
Director of the Company	10,000,000	–	10,000,000
Other participants	85,000,000	–	85,000,000
	95,000,000	–	95,000,000

2022 Share Option Scheme

On 13 June 2022, the Company adopted a share option scheme (the “**2022 Share Option Scheme**”) which has a life of ten years from 13 June 2022. Under the 2022 Share Option Scheme, the Directors may, at their discretion, offer the eligible persons (including directors) of the Company or its subsidiaries options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

During the six months ended 30 June 2022, no share options were granted, exercised or lapsed under the 2022 Share Option Scheme (six months ended 30 June 2021: n/a).

21. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

21. FAIR VALUE MEASUREMENTS (Continued)

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30 June 2022 (Unaudited)	31 December 2021 (Audited)		
1) Investments in listed equity securities classified as financial assets at FVPL	Listed equity securities in: - Hong Kong HK\$262,627,000 - United States HK\$1,364,000	Listed equity securities in: - Hong Kong HK\$496,498,000 - United States HK\$2,546,000	Level 1	Quoted bid prices in an active market
2) Investments in unlisted investment funds classified as financial assets at FVPL	HK\$129,459,000	HK\$123,260,000	Level 2	Derived from quoted prices from external fund manager based on net asset value of the funds
3) Financial assets arising from a financing arrangement classified as financial assets at FVPL	HK\$105,438,000	HK\$105,438,000	Level 3	Derived from direct comparison approach and Black-Scholes Option Pricing Model by the management (31 December 2021: an independent professional qualified valuer)
4) Investments in listed equity securities classified as Designated FVOCI	Listed equity securities in: - Hong Kong HK\$2,428,888,000 - United States HK\$22,138,000	Listed equity securities in: - Hong Kong HK\$2,709,569,000 - United States HK\$24,589,000	Level 1	Quoted bid prices in an active market
5) Investments in unlisted equity securities classified as Designated FVOCI	HK\$712,583,000	HK\$46,053,000	Level 3	Derived from unobservable inputs for the asset or liability by the management (31 December 2021: an independent professional qualified valuer)
6) Investment in unlisted investment fund classified as Designated FVOCI	Nil	HK\$1,788,000	Level 2	Estimated by external fund manager by reference to available market information adjusted to reflect liquidity of the investments
7) Investment property	HK\$102,750,000	HK\$102,750,000	Level 3	Derived from direct comparison approach with adjustment on unobservable inputs by the management (31 December 2021: an independent professional qualified valuer)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

21. FAIR VALUE MEASUREMENTS (Continued)

(a) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

There were neither transfers between Level 1 and Level 2 fair value measurement nor transfers into and out of Level 3 fair value measurement during both periods.

Note:

The fair value of the unlisted equity securities without an active market classified in Level 3 was determined by the management. The fair value of the unlisted equity securities is estimated by a number of significant unobservable inputs including the expected assets-based multiples (e.g. enterprise value to assets), expected net assets-based multiples and adjustment for a lack of marketability associated with the investment.

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

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

Valuation process

The management of the Group is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group will establish the appropriate valuation techniques and inputs to the model. Management reports to executive directors semi-annually to explain the cause of fluctuations in the fair value of the assets.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed above.

22. RELATED PARTY TRANSACTIONS

The key management personnel are the Directors. During the six months ended 30 June 2022, the emolument of key management personnel were HK\$6,151,000 (six months ended 30 June 2021: HK\$7,033,000).

Except for those disclosed elsewhere in these Interim Financial Statements, the Group does not have any significant related party balances as at the end of the reporting periods.