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ARTA TECHFIN CORPORATION LIMITED

裕承科金有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 279)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022; AND APPOINTMENT OF CHIEF FINANCIAL OFFICER

INTERIM RESULTS

The board of directors (the “Board”) of Arta TechFin Corporation Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2022 together with the unaudited comparative figures for the corresponding period of the previous year which are set out as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2022

		For the six months ended 30 September	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	4	9,215	29,726
Cost of sales		(2,441)	(9,043)
Gross profit		6,774	20,683
Other income and gains	4	1,243	5,345

		For the six months ended 30 September	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Fair value gains/(losses) on investments at fair value through profit or loss, net		218	(288)
General and administrative expenses		(45,418)	(41,389)
Reversal of provision for impairment loss of accounts receivable, net	<i>11</i>	26	551
Other expenses, net		–	(14,043)
Finance costs	<i>5</i>	(1,008)	(329,336)
LOSS BEFORE TAX	<i>6</i>	(38,165)	(358,477)
Income tax expense	<i>7</i>	–	(7,088)
LOSS FOR THE PERIOD		(38,165)	(365,565)
Attributable to:			
Shareholders of the Company		(38,170)	(365,565)
Non-controlling interests		5	–
		(38,165)	(365,565)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	<i>8</i>		
Basic and diluted		(HK0.20 cents)	(HK19.57 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	For the six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	<u>(38,165)</u>	<u>(365,565)</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	–	119
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Equity investments at fair value through other comprehensive income – net movement in investment revaluation reserve (non-recycling)	–	23,787
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>–</u>	<u>23,906</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(38,165)</u>	<u>(341,659)</u>
Attributable to:		
Shareholders of the Company	(38,170)	(341,659)
Non-controlling interests	<u>5</u>	–
	<u>(38,165)</u>	<u>(341,659)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

		30 September 2022 (Unaudited) <i>Notes</i> <i>HK\$'000</i>	31 March 2022 (Audited) <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		11,530	7,769
Goodwill		1,505	1,505
Intangible assets		17,145	17,145
Prepayments and deposits		4,447	5,627
Fair value through profit or loss instrument		1,945	1,945
		<hr/>	<hr/>
Total non-current assets		36,572	33,991
		<hr/>	<hr/>
CURRENT ASSETS			
Loan receivable	<i>10</i>	5,850	–
Accounts receivable	<i>11</i>	13,336	21,524
Prepayments, deposits and other receivables		9,416	7,955
Investments at fair value through profit or loss		–	1,356
Cash and bank balances		50,537	68,452
		<hr/>	<hr/>
Total current assets		79,139	99,287
		<hr/>	<hr/>
CURRENT LIABILITIES			
Accounts payable	<i>12</i>	2,113	6,616
Other payables and accruals	<i>13</i>	9,086	12,193
Borrowings	<i>14</i>	30,000	40,000
Lease liabilities		4,272	4,607
Tax payable		1	1
		<hr/>	<hr/>
Total current liabilities		45,472	63,417
		<hr/>	<hr/>
Net current assets		33,667	35,870
		<hr/>	<hr/>
Total assets less current liabilities		70,239	69,861
		<hr/>	<hr/>

		30 September 2022 (Unaudited) <i>HK\$'000</i>	31 March 2022 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
NON-CURRENT LIABILITIES			
Borrowings	<i>14</i>	40,000	–
Lease liabilities		1,162	2,619
Deferred tax liability		2,561	2,561
		<hr/>	<hr/>
Total non-current liabilities		43,723	5,180
		<hr/>	<hr/>
Net assets		26,516	64,681
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital		186,818	186,818
Reserves		(160,302)	(122,132)
		<hr/>	<hr/>
		26,516	64,686
Non-controlling interests		–	(5)
		<hr/>	<hr/>
Total equity		26,516	64,681
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been 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 the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2022.

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2022, except for the accounting policy changes that are expected to be reflected in the annual consolidated financial statements for the year ended 31 March 2023. Details of any changes in accounting policies are set out in note 2.

The condensed consolidated financial statements for the six months ended 30 September 2022 have been reviewed by the Company’s Audit Committee and those charged with governance, and have not been audited, but have been reviewed by the Company’s external auditor, Crowe (HK) CPA Limited 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.

Completion of the restructuring of the Group and resumption of trading in shares of the Company (the “Shares”)

References are made to the circular of the Company dated 26 May 2021 (the “Whitewash Circular”) and the announcement of the Company dated 29 October 2021. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Whitewash Circular and the announcement.

On the application of the Provisional Liquidators, the High Court ordered on 4 October 2021 the dismissal of Petition and the discharge of the Provisional Liquidators on 1 November 2021, with liberty for the petitioner or the Provisional Liquidators to apply for the adjournment of the Petition. On 1 November 2021, the Company fulfilled all the resumption conditions to the satisfaction of the Stock Exchange and the Petition had been dismissed and the Provisional Liquidators had been discharged. Trading in the Shares on the Stock Exchange resumed with effect from 9:00 a.m. on 1 November 2021 and all trading restrictions imposed by the Stock Exchange and the Securities and Futures Commission of Hong Kong had been lifted.

Restructuring of the Group

ListCo Schemes became effective on the same day that the Provisional Liquidators that (i) filed a copy of the order of the Grand Court sanctioning the Cayman Islands ListCo Scheme with the Cayman Islands Registrar of Companies on 28 October 2021; and (ii) delivered a copy of the order of the High Court sanctioning the Hong Kong ListCo Scheme to the Registrar of Companies in Hong Kong on 1 November 2021. As a result, with effect from 1 November 2021, the Group no longer had any interest in the Excluded Subsidiaries which had all been transferred to the ListCo Schemes SchemeCo under the Restructuring.

Completion of the Subscription, the First Loan Conversion, the Placing Down and the issue of the Scheme Shares all took place on 29 October 2021 and the Company issued to (i) the Investor, the First Loan Conversion Shares and the Subscription Shares (other than the Placing Shares); (ii) the ListCo Schemes SchemeCo, the Scheme Shares for the benefit of the ListCo Schemes Creditors; and (iii) the Placees, the Placing Shares as directed by the Investor.

On 1 November 2021, the Company had completed the Restructuring of indebtedness of the Group which included, among others, the Subscription, the First Loan Conversion and the ListCo Schemes becoming effective and certain indebtedness of the Group had been relieved.

The Second Loan Agreement

On 10 September 2020, the Company (as borrower), the Provisional Liquidators and the Investor (as lender) entered into the Second Loan Agreement, pursuant to which the Investor shall make available to the Company interest-free and unsecured loans of up to HK\$40 million in aggregate. The Investor may, within the Conversion Period, convert the Second Loan into the Second Loan Conversion Shares which, together with the First Loan Conversion Shares and the Subscription Shares, shall represent approximately 75% of the enlarged issued share capital of the Company upon completion of the First Loan Conversion, the Subscription, the issue of the Scheme Shares, the Placing Down and the Second Loan Conversion. Upon completion of the Second Loan Conversion, all outstanding liabilities of the Company under the Second Loan Agreement shall be deemed fully paid and settled and no longer outstanding.

As at 30 September 2022, the Company had drawn down Second Loan of HK\$40 million from the Investor. No Second Loan has been converted into the Second Loan Conversion Shares.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA, which are mandatorily effective for their reporting period on or after 1 April 2022:

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

The application of the above amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has reportable operating segments as follows:

- (a) global markets business segment composes of brokerage operations including (i) securities and futures brokerage and margin financing operations; (ii) placing, in both equity capital market and debt capital market, and underwriting; and (iii) provision of advisory service for private structured finance transactions and mergers and acquisitions;
- (b) asset management business segment offers traditional asset management products and services, including investment advisory services, portfolio management services and transaction execution services, to professional and institutional investors; and
- (c) insurance brokerage business segment engages in insurance brokerage business and the provision of wealth management planning and related services.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group’s loss before tax except that bank and other interest income (excluding interest income from the provision of margin financing), finance costs as well as head office and corporate expenses are excluded from such measurement.

Intersegment transactions are made with reference to the prices used for services made to independent third parties at the then prevailing market prices.

No analysis of the Group’s assets and liabilities by operating segments was provided to the management for review during the six months ended 30 September 2022 and 2021 for the purposes of resources allocation and performance assessment.

Based on the location of the customers at which the services were rendered, all of the Group’s revenue are derived from customers located in Hong Kong. As at 30 September 2022 and 31 March 2022, substantially all of the non-current assets of the Group were located in Hong Kong.

For the six months ended 30 September 2022

	Global markets business (Unaudited) HK\$'000	Asset management business (Unaudited) HK\$'000	Insurance brokerage business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:				
Sales to external customers	6,968	167	2,080	9,215
Intersegment sales	–	–	–	–
	<u>6,968</u>	<u>167</u>	<u>2,080</u>	<u>9,215</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				–
Total revenue				<u><u>9,215</u></u>
Segment results:	(3,665)	2,298	320	(1,047)
<i>Reconciliation:</i>				
Bank interest income				5
Other interest income				6
Corporate and other unallocated expenses				(36,121)
Finance costs				<u>(1,008)</u>
Loss before tax				<u><u>(38,165)</u></u>

For the six months ended 30 September 2021

	Global markets business (Unaudited) HK\$'000	Asset management business (Unaudited) HK\$'000	Insurance brokerage business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:				
Sales to external customers	23,729	3,063	2,934	29,726
Intersegment sales	–	–	6	6
	<u>23,729</u>	<u>3,063</u>	<u>2,940</u>	<u>29,732</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				(6)
Total revenue				<u><u>29,726</u></u>
Segment results:	(2,333)	(258)	647	(1,944)
<i>Reconciliation:</i>				
Bank interest income				23
Other interest income				3
Corporate and other unallocated expenses				(27,223)
Finance costs				<u>(329,336)</u>
Loss before tax				<u><u>(358,477)</u></u>

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents commission and brokerage income from securities and futures dealings; income from placing, underwriting and advisory services; interest income on margin financing activities; income from asset management services; insurance brokerage income; net losses from the sale of investments at fair value through profit or loss; dividend income from investments at fair value through profit or loss; marketing and management services fee income; and custodian business fee income for the period.

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

	For the six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Placing, underwriting and advisory fee income	5,311	11,496
Insurance brokerage income	2,080	2,934
Marketing and management fee income	1,174	–
Commission and brokerage income from securities and futures dealings	545	9,843
Interest income on margin financing activities	337	2,394
Asset management fee income	167	3,063
Dividend income from investments at fair value through profit or loss	35	24
Custodian business fee income	2	–
Losses from the sale of investments at fair value through profit or loss, net (<i>note a</i>)	(436)	(28)
	<u>9,215</u>	<u>29,726</u>
Other income and gains		
Bank interest income	5	23
Other interest income	6	3
Dividend handling charge and other surcharge	164	583
Foreign exchange differences, net	–	537
Government grants (<i>note b</i>)	923	384
Referral fee income	–	2,674
Others	145	1,141
	<u>1,243</u>	<u>5,345</u>

Notes:

- (a) The gross proceeds from sale of investments at fair value through profit or loss for the reporting period were HK\$1,180,000 (six months ended 30 September 2021: HK\$724,000).
- (b) There are no unfulfilled conditions or contingencies relating to these grants.

5. FINANCE COSTS

	For the six months ended 30 September	
	2022	2021
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Interests on borrowings	338	328,156
Interest on lease liabilities	370	210
Other finance costs	300	970
	<u>1,008</u>	<u>329,336</u>

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	<i>Note</i>	For the six months ended 30 September	
		2022	2021
		(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Employee benefit expenses (excluding directors' remuneration):			
Salaries and allowances		21,775	19,300
Retirement benefit scheme contributions (defined contribution scheme)		489	504
		<u>22,264</u>	<u>19,804</u>
Depreciation of property, plant and equipment		559	560
Depreciation of right-of-use assets		2,408	1,332
Reversal of provision for impairment loss of accounts receivable, net	11	(26)	(551)
Impairment loss of other receivables (<i>note</i>)		–	904
Loss on disposal of items of property, plant and equipment (<i>note</i>)		–	29
Loss on disposal of subsidiaries (<i>note</i>)		–	178
Restructuring cost (<i>note</i>)		–	12,932
		<u>–</u>	<u>12,932</u>

Note: These items are included in "Other expenses, net" in the condensed consolidated statement of profit or loss.

7. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Charge for the period	–	–
Under-provision for prior year	–	7,088
	<hr/>	<hr/>
Tax expense for the period	–	7,088
	<hr/> <hr/>	<hr/> <hr/>

8. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss for the period attributable to shareholders of the Company of HK\$38,165,000 (six months ended 30 September 2021: HK\$365,565,000), and the weighted average number of ordinary shares of 18,681,761,880 (six months ended 30 September 2021: 1,868,176,188) in issue during the period.

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss for the period attributable to shareholders of the Company of HK\$38,165,000 (six months ended 30 September 2021: HK\$365,565,000), and the weighted average number of ordinary shares of 18,681,761,880 (six months ended 30 September 2021: 1,868,176,188).

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 September 2022 and 2021 in respect of a dilution. The calculation of diluted loss per share for the six months ended 30 September 2022 does not assume the exercise of the Company's outstanding convertible loan as it had an anti-dilutive effect on the basic loss per share. The Company had no dilutive potential ordinary shares in issue during the period ended 30 September 2021.

9. INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

10. LOAN RECEIVABLE

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Loan receivable	5,850	–
Less: Provision for impairment loss	–	–
	<u>5,850</u>	<u>–</u>

The loan receivable as at 30 September 2022 was unsecured, interest-free and has no fixed repayment terms. In the opinion of the directors of the Company, the amount will be settled within next twelve months after the end of reporting period. Accordingly, the amount is classified as current.

Loan receivable, determined based on the age of the loan receivable since the effective draw down date of the loan, was all aged between 90 to 180 days, as at 30 September 2022 (31 March 2022: Nil).

The movements in the provision for impairment loss of the loan receivable are as follows:

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
At beginning of period/year	–	1,791,936
Discharged pursuant to the ListCo Schemes (<i>note</i>)	–	(1,791,936)
	<u>–</u>	<u>–</u>

Note: Following the completion of the Restructuring on 1 November 2021, certain loans receivable, being part of the assets of the Excluded Subsidiaries, were transferred to the ListCo Schemes SchemeCo and the Group no longer had any interest in them.

11. ACCOUNTS RECEIVABLE

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Accounts receivable arising from the ordinary course of business of:		
– Global market business		
Securities brokerage business		
Cash clients	–	4,360
Margin clients	3,643	5,952
Clearing houses	2,739	6,910
Futures brokerage business	8	6
Advisory business	5,034	3,040
Others	1,174	–
– Insurance brokerage business	785	1,329
	13,383	21,597
Less: Provision for impairment loss	(47)	(73)
	13,336	21,524

The settlement terms of accounts receivable attributable to the dealing in securities transactions are two trading days after the trade date except for the balances with margin clients which are repayable on demand or according to agreed repayment schedules, and bearing interest ranging from 2.59% to 17.33% per annum as at 30 September 2022 (31 March 2022: 2.28% to 15.33% per annum). The settlement terms of accounts receivable attributable to dealing in futures transactions are repayable on demand and generally up to 12 months. Except for dealing in securities and futures transactions, the trading terms with customers of global markets business, asset management business and insurance brokerage business are mainly on credit. The credit period for customers of global markets business and insurance brokerage business are generally 30 days, extended up to 90 days for major customers. The credit period for customers of asset management business is generally 30 days, extended up to 60 days for certain customers.

An ageing analysis of the accounts receivable as at the end of the reporting period, based on the trade date, is as follows:

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Within 90 days	9,697	18,282
Between 91 to 180 days	6	275
Between 181 to 365 days	640	3,040
Over one year	3,040	–
	13,383	21,597

The movements in the provision for impairment loss of accounts receivable are as follows:

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
At beginning of period/year	73	158,432
Other remeasurement of loss allowance	(26)	(658)
Uncollective amounts written off (<i>note</i>)	–	(157,701)
At end of period/year	47	73

Note: In June 2021, accounts receivable of HK\$157,701,000 were assigned to one of the Excluded Subsidiaries which had been transferred to the ListCo Schemes SchemeCo on 29 October 2021. These accounts receivable of HK\$157,701,000, which were subject to enforcement activity, were determined as uncollectible and were written off against accounts receivable during the year ended 31 March 2022. Thus, its fully written off amount of HK\$157,701,000 was discharged. There was no accounts receivable written off during the period ended 30 September 2022.

12. ACCOUNTS PAYABLE

The balances as at 30 September 2022, based on the trade date, were all aged within 90 days (31 March 2022: 90 days).

13. OTHER PAYABLES AND ACCRUALS

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Accrued expenses	8,968	12,146
Interest payables	45	–
Other payables	73	47
	<u>9,086</u>	<u>12,193</u>

14. BORROWINGS

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Current:		
Bank borrowing, secured	30,000	–
Other borrowing, unsecured	–	40,000
	<u>30,000</u>	<u>40,000</u>
Total current borrowings	<u>30,000</u>	<u>40,000</u>
Non-current:		
Other borrowing, unsecured	40,000	–
	<u>40,000</u>	<u>–</u>
Total borrowings	<u>70,000</u>	<u>40,000</u>

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by Crowe (HK) CPA Limited, the independent auditor of the Company, regarding the condensed consolidated financial statements of the Group for the six months ended 30 September 2022.

QUALIFIED CONCLUSION

Based on our review, except for the possible effects on the comparability of the current period's figures and the corresponding figures of the matters described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting*.

BASIS FOR QUALIFIED CONCLUSION

Comparability of the current period's figures and the corresponding figures for the period ended 30 September 2021 in the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income and the condensed consolidated statement of changes in equity

1. Deconsolidation of subsidiaries

As a result of the resignation of certain senior management members of the Company and non-cooperation of the management of certain subsidiaries (the "Deconsolidated Subsidiaries"), the directors of the Company had been unable to obtain and gain access to the books and records and assets of the Deconsolidated Subsidiaries of the Company and had therefore resolved that the Group no longer had the controlling power to govern the financial and operating policies of the Deconsolidated Subsidiaries so as to benefit from their activities. Accordingly, the Deconsolidated Subsidiaries were deconsolidated from the consolidated financial statements of the Group from 1 April 2019 onwards. Pursuant to the creditor's scheme under the Group's restructuring (the "Creditor's Scheme"), the Group has effectively disposed of its entire interests in the Deconsolidated Subsidiaries on 29 October 2021 ("date of Disposal").

During the six months ended 30 September 2021, the directors of the Company have been unable to provide us with a complete set of accounting books and records of the Deconsolidated Subsidiaries. We therefore previously disclaimed our review conclusion in respect of the Group's interim financial information for the six months ended 30 September 2021 due to limitations on the scope of work on the Group's conclusion of loss of control over the Deconsolidated Subsidiaries as we were unable to obtain sufficient information to satisfy ourselves as to whether the Group had lost its control over the Deconsolidated Subsidiaries since 1 April 2019 and other scope limitations,

and we were therefore unable to determine whether any adjustments were necessary to be made to the accumulated losses as at 1 April 2021 and the results of operations for the period ended 30 September 2021 that might have a significant effect on the state of the Group's affairs as at 30 September 2021 and on its loss for the period ended 30 September 2021.

2. Investments in associates

The Group held a number of associates which were accounted for using the equity method of accounting. Pursuant to the Creditor's Scheme, the Group has effectively disposed of its entire interests in the associates on the date of Disposal.

During the six months ended 30 September 2021, there was no sufficient financial information of the associates available because the management of the associates refused to provide such required financial information to the Group. Based on the assessment of the directors of the Company, the Group had fully impaired its investments in associates of HK\$341,674,000 during the year ended 31 March 2020. As (i) it was not practicable for a review to be performed by us on the associates due to insufficient financial information and the non-cooperation of the associates' management; (ii) the audited result of the associates for the year ended 31 March 2021 have not been made available to us as at the date of our report on the Group's interim financial information for the six months ended 30 September 2021; (iii) the directors of the Company were unable to provide us with adequate information in support of the impairment assessment of investments in associates, together with the basis and rationale of recognising the impairment loss of investments in associates of HK\$341,674,000 for the year ended 31 March 2020 and their basis for assessing the carrying amounts of the investments in associates as at 30 September 2021; and (iv) the directors of the Company were also unable to provide us with adequate information in support of the Group's significant influence power over an associate, FreeOpt Holdings Limited, which the Group's shareholding interest in FreeOpt Holdings Limited was diluted to 17.61% during the year ended 31 March 2021, we were therefore unable to obtain sufficient information in relation to (i) the amount of the Group's share of losses and other comprehensive income relating to investments in associates recognised in profit or loss and other comprehensive income for the period ended 30 September 2021; (ii) the estimate of the carrying value of the Group's investments in associates as at 30 September 2021; (iii) the accumulated losses of the Group as at 1 April 2021 resulted from the impairment loss of investments in associates of HK\$341,674,000 included in the consolidated statement of profit or loss of the Group for the year ended 31 March 2020 was free from material misstatement; and (iv) whether the investment in FreeOpt Holdings Limited had been properly accounted for, classified, presented and disclosed in the condensed consolidated financial statements as at and for the period ended 30 September 2021.

3. Investment in an unlisted equity investment

The Group held a financial asset classified as at fair value through other comprehensive income (non-recycling) with respect to 15.20% equity interest in an investment holding company (“Entity A”) as at 30 September 2021 (“FVOCI in Entity A”). A fair value loss of HK\$841,762,000 has been recognised in the consolidated statement of comprehensive income during the year ended 31 March 2020 for such FVOCI in Entity A. Management assessed there was no change in the fair value of FVOCI in Entity A during the period ended 30 September 2021. Pursuant to the Creditor’s Scheme, the Group has effectively disposed of its entire interests in Entity A on the date of Disposal.

In assessing the fair value of FVOCI in Entity A as at 30 September 2021, the directors of the Company adopted the net assets value approach based on Entity A’s unaudited management accounts for the year ended 31 March 2020 and adjusted for the factors they considered might affect its fair value to estimate its fair value. The Group, however, was unable to obtain sufficient financial information of Entity A as at and for the period ended 30 September 2021 because of the non-cooperation of the management of Entity A. The directors of the Company considered that the basis applied in the fair value assessment of the FVOCI in Entity A represents their best estimate. We were unable to obtain sufficient information we considered necessary to assess the appropriateness of the basis of valuation of the FVOCI in Entity A as at 30 September 2021 adopted by the directors of the Company, including access to the management of Entity A to assess the appropriateness and accuracy of the financial information, and to obtain the latest audited financial information of Entity A and reliable information to support the adjustments made to the net assets value of Entity A. We therefore disclaimed our review conclusion in respect of the Group’s interim financial information for the six months ended 30 September 2021. There were no other satisfactory procedures that we could perform to determine whether any adjustments to the carrying amount of the FVOCI in Entity A as at 30 September 2021 and the related fair value change were necessary.

Because of the possible effects of the above matters on the comparability of the current period’s figures and the corresponding figures for the six months ended 30 September 2021 in the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income and the condensed consolidated statement of changes in equity, our review conclusion on the interim financial information for the six months ended 30 September 2022 is therefore qualified.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The directors of Arta TechFin Corporation Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) do not recommend the payment of an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

BUSINESS AND FINANCIAL REVIEW

Liquidity, financial resources and capital structure

As at 30 September 2022, the Group had total assets, net current assets and net assets of approximately HK\$116 million (31 March 2022: HK\$133 million), HK\$34 million (31 March 2022: HK\$36 million) and HK\$27 million (31 March 2022: HK\$65 million) respectively, and cash and bank balances of HK\$51 million (31 March 2022: HK\$68 million). The current ratio (current assets/current liabilities) was 1.74 (31 March 2022: 1.57). The Group had a secured borrowing of HK\$30 million (31 March 2022: Nil) and an unsecured borrowing of HK\$40 million (31 March 2022: HK\$40 million). Gearing ratio, calculated on the basis of the Group’s borrowings divided by the equity attributable to the shareholders of the Company (the “Shareholders”) was 264.0% at 30 September 2022 (31 March 2022: 61.8%). The borrowings of the Group carried floating interest rates calculated by reference to the lender’s costs of funds were made in Hong Kong dollar. Borrowing cost of HK\$638,000 included in finance costs of HK\$1 million for the six months ended 30 September 2022 (the “Period”) was incurred on the new external borrowing obtained during the Period. Total finance costs for the Period reduced by 99.7% as compared to the corresponding period in 2021 of HK\$329 million. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollar and United States (“US”) dollar. As Hong Kong dollar is pegged to US dollar, the foreign exchange risk exposures are considered limited. The Group did not have any financial instruments used for hedging purpose.

Financial performance

	For the six months ended		
	30 September	30 September	Increase/
	2022	2021	(decrease)
	HK\$’000	HK\$’000	
Consolidated turnover	9,215	29,726	(69.0)%
General and administrative expenses	45,418	41,389	9.7%
Consolidated net loss	38,165	365,565	(89.6)%

For the Period, the Group's consolidated revenue was decreased to HK\$9 million as a result of a fall in business volume caused by the decline in primary and secondary capital markets activities. General and administrative expenses, amounted to HK\$45 million, remained stable for the corresponding period in 2021 of HK\$41 million. Total employee benefit expenses (including directors' remuneration) amounted to HK\$27 million for the Period (corresponding period in 2021: HK\$22 million). Legal and professional fees amounted to HK\$2 million (corresponding period in 2021: HK\$1 million) were incurred for the Period mainly for hiring of legal and compliance consultants to review and strengthen our internal controls and compliance policies and deal with certain licensing issues.

The Group recorded a significant decrease in consolidated net loss attributable to Shareholders for the Period to HK\$38 million (corresponding period in 2021: HK\$366 million), primarily due to reduction of finance costs of HK\$329 million which was incurred mainly due to interest accrued on default on certain borrowings (such finance costs were accrued in connection with debts that were transferred to the Creditor's Schemes on 29 October 2021).

Basic and diluted loss per share was HK0.20 cents (2021: HK19.57 cents).

The Group had capital commitment of approximately HK\$304,000 and US\$503,000 (equivalent to HK\$4 million) contracted but not provided for IT infrastructure and subscription of an other financial asset, respectively, as at 30 September 2022 (31 March 2022: Nil). In light of the amount of liquid assets on hand and banking facilities available, the Directors are of the view that the Group has sufficient financial resources to meet its ongoing operational requirements. The Group's assets portfolio is mainly financed by its shareholders' funds. As at 30 September 2022, the Group had shareholders' funds of HK\$27 million (31 March 2022: HK\$65 million).

Business review

The Group is principally engaged in businesses organised into three segments: (1) global markets business, which includes our securities and futures brokerage and investment banking businesses; (2) asset management business; and (3) insurance brokerage business.

The Group recorded a consolidated net loss (before finance costs and income tax expense) of approximately HK\$37 million for the Period as compared to a consolidated net loss (before finance costs and income tax expense) of approximately HK\$29 million for the six months ended 30 September 2021 which included non-recurring restructuring-related expenses of approximately HK\$14 million.

The expected increase in consolidated net loss (before finance costs and income tax expense) for the Period is mainly attributable to a decrease in revenue of approximately HK\$21 million as compared to the same period in 2021, as a result of a fall in business volume caused by the decline in primary and secondary capital markets activities.

Segmental revenue	For the six months ended		Decrease
	30 September	30 September	
	2022	2021	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Global markets business	6,968	23,729	70.6%
Asset management business	167	3,063	94.5%
Insurance brokerage business	2,080	2,934	29.1%
Total revenue	9,215	29,726	69.0%

The Group believes there would be greater revenue improvement were it not for the adverse market conditions, and that the full potential of the global markets and asset management businesses has yet to be realised. Our insurance brokerage business will be recovered after the relaxation of pandemic travel restrictions.

OTHER FINANCIAL ASSETS

As at 30 September 2022 and 31 March 2022, the Group had no other financial assets.

The Group recorded a non-current other financial asset of an unlisted equity investment with 12.17% equity interest in a securities company (the “Securities Company”) until 29 October 2021. Pursuant to the Creditor’s Scheme, the Group had effectively disposed of its entire interests in the other financial assets on 29 October 2021.

The Securities Company, Shengang Securities Company Limited, is a full-licensed securities company in China (Shanghai) Pilot Free Trade Zone of the Closer Economic Partnership Arrangement between Mainland China and Hong Kong with an original investment cost of Renminbi (“RMB”) 525 million. It is principally engaged in securities brokerage, securities underwriting and sponsoring, securities trading and securities asset management related businesses in China.

References are made to the circular of the Company dated 26 May 2021 and the announcements of the Company dated 29 October 2021 and 11 January 2022. On 10 November 2020, Arta Global Markets Limited (“AGML”, formerly known as Freeman Securities Limited), the Scheme Administrators (formerly known as Provisional Liquidators), Jiangsu Shagang Group Company Limited* (江蘇沙鋼集團有限公司) (the “SSCL Purchaser”) and Cheery Plus Limited (the “SSCL Secured Creditor”) entered into a term sheet, pursuant to which AGML conditionally agreed to sell, and the SSCL Purchaser conditionally agreed to acquire, 12.17% of shareholding interest in the Securities Company at the consideration of RMB600 million.

On 9 February 2021, AGML, the Provisional Liquidators, the SSCL Purchaser and the SSCL Secured Creditor entered into the SSCL Disposal Supplemental Term Sheet, pursuant to which the parties agreed to amend and supplement the terms of the SSCL Disposal Term Sheet. On the same date, AGML, the Scheme Administrators and the SSCL Purchaser entered into the SSCL Share Transfer Agreement, pursuant to which AGML conditionally agreed to sell, and the SSCL Purchaser conditionally agreed to acquire, the SSCL Interest at the consideration of RMB600 million.

The SSCL Purchaser paid RMB90 million to the Scheme Administrators as deposit. The SSCL Disposal will proceed to completion after government approvals registration and filing procedures, including but not limited to the approval of the China Securities Regulatory Commission having been obtained or completed. As at the date of this announcement, the SSCL Disposal has not completed. As stated in the circular of the Company dated 26 May 2021, the terms of the ListCo Schemes require that the entire interests of the Excluded Subsidiaries (which term includes SSCL) be transferred to the ListCo Schemes SchemeCo at a nominal value and any realisation from the assets of the ListCo Schemes (which includes shares in and assets of the Excluded Subsidiaries) shall be applied for distribution in accordance with the terms of the ListCo Schemes. Accordingly, regardless of whether or not the SSCL Disposal is completed, the Group no longer holds any controlling interest or beneficial interest in the SSCL upon the ListCo Schemes taking effect on 1 November 2021, notwithstanding that they remain as the registered holder of the SSCL Interest.

PLEDGE OF ASSETS

As at 30 September 2022, bank borrowing of HK\$30 million was secured by corporate guarantees given by two wholly-owned subsidiaries of the Company.

* *for identification purpose only*

EVENT AFTER THE REPORTING PERIOD

On 1 November 2022, the Company entered into a placing and subscription agreement with the vendor (being the Company's majority Shareholder) and the placing agents, pursuant to which, the vendor agreed to sell and the placing agents severally (and not jointly nor on a joint and several basis) agreed on a best effort basis to place to no less than six independent third party placees up to 252,336,000 shares of the Company (the "Shares") held by the vendor (representing approximately 1.35% of the total number of Shares in issue as at the date of placing and subscription agreement) at the vendor placing price of HK\$0.112 per Share.

Subject to the fulfilment of conditions in the placing and subscription agreement, the vendor agreed to subscribe for, and the Company agreed to issue such number of new Shares being equivalent to the number of Shares actually sold by the placing agents in the vendor placing, at the subscription price of HK\$0.112 per Share, which is equivalent to the vendor placing price.

The completion of the vendor placing took place on 3 November 2022 in accordance with the terms and conditions of the placing and subscription agreement, where an aggregate of 252,336,000 vendor placing shares were successfully placed by the placing agents to no less than six placees, who and whose ultimate beneficial owners are, to the best of the Director's knowledge, information and belief after having made all reasonable enquiries, third parties independent of and not connected with the Company and its connected persons, at the vendor placing price of HK\$0.112 per vendor placing share.

As all conditions to the subscription have been fulfilled, the vendor subscribed for, and the Company allotted and issued 252,336,000 subscription shares to the vendor at HK\$0.112 per Share (which is equivalent to the vendor placing price) on 11 November 2022 in accordance with the terms and conditions of the placing and subscription agreement. The subscription shares represent approximately 1.33% of the number of Shares in issue as enlarged by the allotment and issue of subscription shares. The net proceeds from the subscription are approximately HK\$27.5 million, net of professional fees and out-of-pocket expenses.

Except as disclosed elsewhere in this announcement, the Group had no other significant events after the reporting period.

CONTINGENT LIABILITIES

Save as disclosed elsewhere in this announcement, the Group is not aware of other material contingent liabilities as at 30 September 2022.

EMPLOYEES' REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

As at 30 September 2022, the Group employed 57 staff members including the Executive Directors of the Company (30 September 2021: 64 staff members). Staff costs incurred for the Period, including directors' remuneration, were HK\$27 million (30 September 2021: HK\$22 million). The Company has adopted a share option scheme and the Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for its employees. During the Period, no share options were granted, exercised, cancelled or lapsed.

Remuneration policy of the Group is reviewed regularly, making reference to legal framework, market condition and the performance of the Group and individual staff (including Directors). The remuneration policy and remuneration packages of the Executive Directors and members of the senior management of the Group are reviewed by the Remuneration Committee.

PROSPECTS

The Group is developing a wealth-management focused fintech platform across current lines of businesses in global markets, asset management ("AM"), and insurance brokerage. The same platform shall also incorporate new services including but not limited to asset custody and prime services. Our product offerings will be broadened to globally listed securities and futures as well as over-the-counter global fixed income securities and multi-asset derivatives.

The Group continues to develop alternative financial solutions via blockchain innovation. A technology in finance ("TechFin") task force has been commissioned to research and build up blockchain infrastructure with use cases and applications in finance. The long-term business objective is to develop a hybrid fintech platform that offers both traditional financial services and blockchain-based financial solutions.

Our client acquisition strategy focuses on professional investors including but not limited to licensed institutions, corporates, family offices and high net worth individuals.

Global Markets

The Group continues to upgrade technology infrastructures and optimise staff composition in brokerage and investment banking businesses.

With recent guidance and support by the SAR Government and respective regulators on virtual asset products, the Group sees long-term opportunities in offering a broader range of global financial products in traditional and virtual asset markets. Three of the Group's licensed subsidiaries are in active discussions with the Hong Kong Securities & Futures Commission ("SFC") to broaden product offerings to various types of virtual asset products including but not limited to Chicago Mercantile Exchange listed, cash-settled futures and options on Bitcoin or Ethereum indices. In addition, the Group has devoted resources to technology research and development on upgrading legacy local brokerage to a seamless global offering. The new platform will partner with and utilise global custodian and brokerage service providers to enable a one-stop prime services solutions. During the Period, one of our wholly-owned subsidiaries has been registered as a licensed Trustee Company to offer custodian services.

With the decline in primary capital market issuances, our investment banking division adjusts its business focus to assist and advise clients on distressed asset restructurings and private market financing. Simultaneously, the investment banking team also works closely with internal and external technology teams to construct a Security Token Offering ("STO") platform, with an aim to using blockchain technologies to conjunct with clients' supply chain businesses and offer alternative financing solutions of better operational efficiencies and data transparency.

Asset Management

Rising global macro uncertainty and increasing clients' appetite for risk protection have brought the AM business to focus on fixed income investment strategies. The AM business has also devoted resources in developing virtual asset advisory and investment capabilities, in addition to working with SFC on uplifting virtual asset product offering.

Insurance Brokerage

Conventional business-to-client insurance segment is expected to see a rebound as soon as quarantine requirements between Hong Kong and mainland border relaxes. The insurance team is also establishing business partnership and channels in offering asset-intensive reinsurances and virtual asset insurance policies.

TechFin Development/Web3 Services

Building a STO platform is one of Group's key TechFin mandates. STO's benefits of better transparency, liquidity and accessibility shall enhance users' experience and protection by eliminating inefficient barriers imposed by current origination processes and systems.

The Group has launched a Web3 Art and Cultural online news platform, Artazine in September 2022. Artazine critically expands our clientele range to young and tech-savvy generations. A Web3 corporate solution team has been formed to provide clients with corporate rebranding, marketing services and better outreach to younger audiences.

Regional Expansion

The Group plans to expand our geographic footprints in Asia in the second half of FY22/23, cohering with the Company's "local to global" development strategy. The Group will set up Singapore regional office and apply for Singapore Capital Markets Services licenses, and actively establish strategic partnerships and distribution channels globally.

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

During the Period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company.

REVIEW OF INTERIM RESULTS

The condensed consolidated financial statements of the Company for the six months ended 30 September 2022 have been reviewed by the Company's Audit Committee and those charged with governance, and have not been audited, but have been reviewed by the Company's external auditor, Crowe (HK) CPA Limited 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 Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2022, with the exception of code provision F.2.2.

Code provision F.2.2 provides that the chairman of the board should attend the annual general meeting. Dr. Cheng Chi-Kong, Adrian *JP*, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 8 August 2022 (the "AGM") due to other business commitments. Mr. Lau Fu Wing, Eddie, the Chief Executive Office and Executive Director of the Company who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre for answering questions at the AGM and had answered questions at the AGM competently.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding securities transactions by directors during the six months ended 30 September 2022.

PUBLICATION OF FINANCIAL INFORMATION

This interim results announcement is published on the websites of the Stock Exchange (<https://www.hkex.com.hk>) and the Company (<https://www.artatechfin.com>). The Group's interim report for 2022 will be despatched to the Shareholders and available on the above websites in due course.

APPOINTMENT OF CHIEF FINANCIAL OFFICER

The Company has appointed Ms. Yeung Shuet Fan Pamela (“Ms. Yeung”), currently an Executive Director, an authorised representative and a member of the Nomination Committee of the Company and a director of certain subsidiaries of the Company, to concurrently serve as the Chief Financial Officer of the Company with effect from 30 November 2022.

Ms. Yeung, aged 49, joined the Group since July 2021 as the Head of Global Markets of the Group. Ms. Yeung is a seasoned capital markets and structured product specialist with over 20 years of experience at top-tier investment banks. Ms. Yeung was most recently the Head of Equity Capital Markets APAC of Barclays Bank Plc where she was responsible for establishing a product platform with key focuses on Asian cross-border equity offerings and corporate equity derivatives solutions. Prior to this, she was the Asia Head of Equity Linked Solutions at Standard Chartered Bank from 2014 to 2015 and the Head of Equity Linked and Privates for Greater China at Citigroup from 2007 to 2014. Ms. Yeung holds a Bachelor Degree in Business Administration from the University of Southern California.

By Order of the Board
Arta TechFin Corporation Limited
Lau Fu Wing, Eddie
Chief Executive Officer

Hong Kong, 30 November 2022

As at the date of this announcement, the Board comprises the following Directors:–

Executive Directors:

Mr. Lau Fu Wing, Eddie (*Chief Executive Officer*)
Ms. Li Chuchu, Tracy
Ms. Yeung Shuet Fan Pamela (*Chief Financial Officer*)

Non-executive Directors:

Dr. Cheng Chi-Kong, Adrian *JP* (*Chairman*)
Mr. Han Kam Leung, Michael

Independent Non-executive Directors:

Ms. Ling Kit Sum Imma
Mr. Lo Chun Yu Toby
Dr. Tam Lai Fan Gloria