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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023

ANNUAL RESULTS

The Board of Directors (the “Board”) of Arta TechFin Corporation Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2023

	<i>Notes</i>	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
REVENUE	4	12,792	43,649
Other income and gains, net	4	1,665	6,321
Revenue and other income		14,457	49,970
Operating expenses			
Employee benefit expenses		(54,815)	(50,282)
Consultancy, legal and professional fees		(12,256)	(15,143)
Information technology and maintenance expenses		(4,734)	(3,086)
Fair value losses on investments at fair value through profit or loss, net		(405)	(425)
(Provision)/reversal of provision for impairment loss of accounts receivable, net	11	(2,973)	658
Provision for impairment loss of a loan receivable	10	(475)	–

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Provision for impairment loss of deposits and other receivables	5	(357)	(904)
Gain on restructuring	5	–	3,217,689
Restructuring cost	5	–	(13,191)
Other operating expenses		<u>(17,540)</u>	<u>(23,311)</u>
		<u>(93,555)</u>	<u>3,112,005</u>
EBITDA (note)		(79,098)	3,161,975
Depreciation and amortisation	5	<u>(6,717)</u>	<u>(4,334)</u>
Operating (loss)/gain		(85,815)	3,157,641
Finance costs	6	<u>(4,095)</u>	<u>(380,837)</u>
(Loss)/profit before taxation		(89,910)	2,776,804
Income tax expense	7	<u>–</u>	<u>(7,088)</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(89,910)</u>	<u>2,769,716</u>
Attributable to:			
Shareholders of the Company		(89,915)	2,769,719
Non-controlling interests		<u>5</u>	<u>(3)</u>
		<u>(89,910)</u>	<u>2,769,716</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	8		
Basic		<u>(HK0.5 cents)</u>	<u>HK30.9 cents</u>
Diluted		<u>(HK0.5 cents)</u>	<u>HK25.9 cents</u>

Note: EBITDA is defined as earnings/(loss) before interest expenses and finance costs, taxation, depreciation and amortisation.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(LOSS)/PROFIT FOR THE YEAR	<u>(89,910)</u>	<u>2,769,716</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	–	88
Release of exchange fluctuation upon restructuring	–	5,119
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)	<u>–</u>	<u>23,406</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>–</u>	<u>28,613</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	<u>(89,910)</u>	<u>2,798,329</u>
Attributable to:		
Shareholders of the Company	(89,915)	2,798,332
Non-controlling interests	<u>5</u>	<u>(3)</u>
	<u>(89,910)</u>	<u>2,798,329</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		9,098	7,769
Goodwill		1,505	1,505
Intangible assets		19,858	17,145
Deposits		4,408	5,627
Financial asset at fair value through other comprehensive income		3,921	–
Financial asset at fair value through profit or loss		1,533	1,945
		<hr/>	<hr/>
Total non-current assets		40,323	33,991
CURRENT ASSETS			
Loan receivable	<i>10</i>	5,375	–
Accounts receivable	<i>11</i>	1,270	21,524
Prepayments, deposits and other receivables		5,114	7,955
Investments at fair value through profit or loss		34	1,356
Cash and bank balances		65,366	68,452
		<hr/>	<hr/>
Total current assets		77,159	99,287
CURRENT LIABILITIES			
Accounts payable	<i>12</i>	371	6,616
Other payables and accruals	<i>13</i>	14,224	12,193
Borrowing	<i>14</i>	30,000	40,000
Lease liabilities		2,619	4,607
Tax payable		1	1
		<hr/>	<hr/>
Total current liabilities		47,215	63,417
		<hr/>	<hr/>
Net current assets		29,944	35,870
		<hr/>	<hr/>
Total assets less current liabilities		70,267	69,861

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
NON-CURRENT LIABILITIES			
Borrowing	<i>14</i>	34,057	–
Lease liabilities		–	2,619
Deferred tax liability		2,561	2,561
		<hr/>	<hr/>
Total non-current liabilities		36,618	5,180
		<hr/>	<hr/>
Net assets		33,649	64,681
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital		191,432	186,818
Reserves		(157,783)	(122,132)
		<hr/>	<hr/>
		33,649	64,686
Non-controlling interests		–	(5)
		<hr/>	<hr/>
Net equity		33,649	64,681
		<hr/> <hr/>	<hr/> <hr/>

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial asset at fair value through other comprehensive income (“FVOCI”), financial asset at fair value through profit or loss and investments at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except where otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied, for the first time, the following amendments to HKFRSs issued by HKICPA, which are mandatorily effective for the Group’s reporting period beginning on 1 April 2022:

Amendments to HKFRS 3	Reference to conceptual framework
Amendments to HKAS 16	Property, plant and equipment: Proceeds before intended use
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, illustrative examples accompanying HKFRS 16, and HKAS 41

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Company that makes strategic decisions.

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 profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that bank and other interest income (excluding interest income from the provision of finance and margin financing), gain on restructuring, restructuring cost, 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 years ended 31 March 2023 and 2022 for the purposes of resources allocation and performance assessment.

Year ended 31 March 2023

	Global markets business HK\$'000	Asset management business HK\$'000	Insurance brokerage business HK\$'000	Total HK\$'000
Segment revenue:				
Revenue from external customers	10,143	167	2,482	12,792
Intersegment revenue (<i>note</i>)	–	–	394	394
	<u>10,143</u>	<u>167</u>	<u>2,876</u>	<u>13,186</u>
<i>Reconciliation:</i>				
Elimination of intersegment revenue				<u>(394)</u>
Total revenue				<u><u>12,792</u></u>
Segment results:				
	(10,083)	(4,653)	769	(13,967)
<i>Reconciliation:</i>				
Bank interest income				246
Other interest income				58
Corporate and other unallocated expenses				(72,152)
Finance costs				<u>(4,095)</u>
Loss before tax				<u><u>(89,910)</u></u>
Other segment information:				
(Provision)/reversal of provision for impairment loss of accounts receivable, net	67	(3,039)	(1)	(2,973)
Provision for impairment loss of deposits and other receivables	–	(357)	–	(357)
Provision for impairment loss of a loan receivable – unallocated				(475)
Fair value losses on investments at fair value through profit or loss, net	(405)	–	–	(405)
Depreciation and amortisation – operating segment	(2,788)	(3,878)	–	(6,666)
– unallocated				(51)
				<u><u>(6,717)</u></u>

Note: Elimination of intersegment revenue represents elimination of insurance brokerage transactions.

Year ended 31 March 2022

	Global markets business <i>HK\$'000</i>	Asset management business <i>HK\$'000</i>	Insurance brokerage business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
Revenue from external customers	35,368	3,957	4,324	43,649
Intersegment revenue (<i>note</i>)	–	–	6	6
	<u>35,368</u>	<u>3,957</u>	<u>4,330</u>	<u>43,655</u>
<i>Reconciliation:</i>				
Elimination of intersegment revenue				<u>(6)</u>
Total revenue				<u><u>43,649</u></u>
Segment results:				
	(1,463)	(2,303)	521	(3,245)
<i>Reconciliation:</i>				
Bank interest income				28
Other interest income				5
Corporate and other unallocated expenses				(43,645)
Finance costs				(380,837)
Gain on restructuring				3,217,689
Restructuring cost				<u>(13,191)</u>
Profit before tax				<u><u>2,776,804</u></u>
Other segment information:				
Reversal of provision for impairment loss of accounts receivable, net	658	–	–	658
Provision for impairment loss of deposits and other receivable – unallocated				(904)
Fair value losses on investments at fair value through profit or loss, net	(425)	–	–	(425)
Depreciation – operating segment	(3,285)	–	–	(3,285)
– unallocated				(1,049)
				<u><u>(4,334)</u></u>

Note: Elimination of intersegment revenue represents elimination of insurance brokerage transactions.

Geographical information

(a) Revenue from external customers

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	<u>12,792</u>	<u>43,649</u>

The geographic location of revenue from external customers is based on the location of the customers at which the services were rendered.

(b) Non-current assets

The geographic location of the non-current assets (excluding financial instruments) is based on the location of the operations to which they are allocated.

As at 31 March 2023 and 2022, non-current assets (excluding financial instruments) of approximately HK\$30,461,000 and HK\$26,419,000 are located in Hong Kong, respectively.

Information about major customers

Included in revenue arising from major customers who individually accounted for over 10% of the Group's revenue for the year:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	1,409	N/A*
Customer B	N/A*	5,226
Customer C	3,300	5,800
Customer D	N/A*	4,583
Customer E	<u>1,652</u>	<u>N/A*</u>

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

All revenue arising from Customers A, B and D are derived from provision of global markets business and the revenue from Customer C and E are derived from provision of asset management business.

The Group's dividend income and fair value gains/(losses) from the sale of investments at fair value through profit or loss are excluded from total revenue for the purpose of identifying major customers of the Group who accounted for over 10% of the Group's revenue.

4. REVENUE, OTHER INCOME AND GAINS, NET

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Placing, underwriting and advisory fee income	7,095	21,333
Commission and brokerage income from securities and future dealings	857	11,236
Insurance brokerage income	2,482	4,324
Asset management fee income	167	3,957
Marketing and management fee income	1,652	–
Custodian business fee income	2	–
	<u>12,255</u>	<u>40,850</u>
Revenue from other sources		
Interest income on margin financing activities	497	2,794
Dividend income from investments at fair value through profit or loss	40	36
Fair value losses from the sale of investments at fair value through profit or loss, net (<i>note a</i>)	–	(31)
	<u>537</u>	<u>2,799</u>
Total revenue	<u>12,792</u>	<u>43,649</u>

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other income and gains, net		
Bank interest income	246	28
Other interest income	58	5
Dividend handling charge and other surcharges	278	734
Foreign exchange differences, net	–	722
Fair value losses from the sale of investments at fair value through profit or loss, net (<i>note a</i>)	(292)	–
Government grants (<i>note b</i>)	1,114	614
Gain on disposal of items of property, plant and equipment, net	32	–
Referral fee income	–	2,674
Others	229	1,544
	<hr/>	<hr/>
Total other income and gains, net	1,665	6,321
	<hr/>	<hr/>
Total	14,457	49,970
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition		
At a point in time	12,088	36,893
Transferred over time	167	3,957
	<hr/>	<hr/>
	12,255	40,850
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) The gross proceeds from the sale of investments at fair value through profit or loss for the year were HK\$1,194,000 (2022: HK\$1,064,000).
- (b) Subsidies received under the Employment Support Scheme from the Government of Hong Kong Special Administrative Region and FAST from the Hong Kong Cyberport Management Company Limited of HK\$1,024,000 and HK\$90,000 respectively were included in the government grants. There are no unfulfilled conditions or contingencies relating to these grants.

5. (LOSS)/PROFIT BEFORE TAX

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

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Employee benefit expenses (excluding directors' remuneration):			
Salaries and allowances		44,219	41,044
Retirement benefit scheme contributions (defined contribution scheme) (<i>note a</i>)		1,022	977
		45,241	42,021
Auditor's remuneration		1,774	1,814
Depreciation		6,279	4,334
Amortisation		438	–
Provision for impairment loss of a loan receivable	<i>10</i>	475	–
Provision/(reversal of provision) for impairment loss of accounts receivable, net	<i>11</i>	2,973	(658)
(Gain)/loss on disposal of items of property, plant and equipment, net (<i>note c</i>)		(32)	28
Gain on restructuring		–	(3,217,689)
Loss on disposal of subsidiaries (<i>note b</i>)		–	178
Provision for impairment loss of deposits and other receivables		357	904
Restructuring cost		–	13,191
Research and development costs (<i>note b</i>)		331	–

Notes:

- (a) At 31 March 2023, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit scheme in future years (2022: Nil).
- (b) These items are included in "other operating expenses" for the years ended 31 March 2023 and 2022 in the consolidated statement of profit or loss.
- (c) This item is included in "other income and gains, net" for the year 31 March 2023 and in "other operating expenses" for the year ended 31 March 2022 in the consolidated statement of profit or loss.

6. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interests on borrowings (<i>note</i>)	3,470	379,085
Interests on lease liabilities	625	636
Other finance costs	–	1,116
	<u>4,095</u>	<u>380,837</u>

Interests on borrowings included imputed interest of HK\$1,674,000 (2022: Nil) on a borrowing from an immediate holding company.

7. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current		
Under provision in prior years		
– Hong Kong	–	7,088
	<u>–</u>	<u>7,088</u>
Total income tax expense for the year	<u>–</u>	<u>7,088</u>

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the loss for the year attributable to shareholders of the Company of HK\$89,915,000 (2022: profit for the year attributable to shareholders of the Company of HK\$2,769,719,000), and the weighted average number of ordinary shares of 18,779,812,450 (2022: 8,962,127,412) in issue during the year.

The calculation of weighted average number of ordinary shares at the end of the reporting period is as follows:

	2023	2022
Number of shares		
Issued ordinary shares at beginning of year	18,681,761,880	1,868,176,188
Effect of issue of new shares	98,050,570	7,093,951,224
	<u>18,779,812,450</u>	<u>8,962,127,412</u>
Weighted average number of ordinary shares at end of year	<u>18,779,812,450</u>	<u>8,962,127,412</u>

(b) Diluted (loss)/earnings per share

No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2023 in respect of a dilution as the calculation of diluted loss per share for the year ended 31 March 2023 does not assume the exercise of the Company's outstanding convertible loans as it had an anti-dilutive effect on the basic loss per share.

The calculation of diluted earnings per share for the year ended 31 March 2022 was based on the profit for the year attributable to shareholders of the Company of HK\$2,769,719,000, and the weighted average number of ordinary shares of 10,700,659,279, calculated as follows:

(i) Profit attributable to shareholders of the Company (diluted)

	2022 HK\$'000
Profit attributable to shareholders for the purpose of basic earnings per share	2,769,719
Interest on convertible loans	—
	<hr/>
Profit attributable to shareholders for the purpose of diluted earnings per share	<u>2,769,719</u>

(ii) Weighted average number of ordinary shares (diluted)

	2022
Weighted average number of ordinary shares for the purpose of basic earnings per share	8,962,127,412
Effect of issue of shares for exercise of convertible loans	1,738,531,867
	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>10,700,659,279</u>

9. DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31 March 2023 (2022: Nil).

10. LOAN RECEIVABLE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loan receivable	5,850	–
Less: Provision for impairment loss	<u>(475)</u>	<u>–</u>
	<u>5,375</u>	<u>–</u>

The loan receivable as at 31 March 2023 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 its age since the effective draw down date of the loan, was aged between 181 to 365 days, as at 31 March 2023 (2022: Nil).

11. ACCOUNTS RECEIVABLE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Accounts receivable arising from the ordinary course of business of:		
– Global market business:		
Securities brokerage business		
Cash clients	–	4,360
Margin clients	6	5,952
Clearing houses	49	6,910
Advisory business	62	3,040
Futures brokerage business	2	6
– Insurance brokerage business	<u>1,157</u>	<u>1,329</u>
	1,276	21,597
Less: Provision for impairment loss	<u>(6)</u>	<u>(73)</u>
	<u>1,270</u>	<u>21,524</u>

At 1 April 2021, 31 March 2022 and 31 March 2023, accounts receivable from contracts with customers amounted to approximately HK\$9,814,000, HK\$4,354,000 and HK\$1,215,000 respectively.

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 6.83% to 19.33% per annum as at 31 March 2023 (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:

	2023	2022
	HK\$'000	HK\$'000
Within 90 days	142	18,282
Between 91 to 180 days	488	275
Between 181 to 365 days	–	3,040
Over one year	646	–
	<u>1,276</u>	<u>21,597</u>

As at 31 March 2023, except for margin loans receivable of HK\$6,000 (2022: HK\$5,952,000), which were secured by underlying equity securities amounted to approximately HK\$843,000 (2022: HK\$24,669,000), the Group did not hold any collateral or other credit enhancements over these balances.

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

	2023	2022
	HK\$'000	HK\$'000
At beginning of year	73	158,432
Other remeasurement of loss allowance	2,973	(658)
Uncollective amounts written off (<i>note</i>)	(3,040)	(157,701)
At end of year	<u>6</u>	<u>73</u>

Note: Accounts receivable of HK\$3,040,000, which were not subject to enforcement activity, were determined as uncollectible and were written off against accounts receivable during the reporting period. In June 2021, accounts receivable with gross carrying amount of HK\$157,701,000 were assigned to one of the Excluded Subsidiaries which had been transferred to the ListCo Schemes SchemeCo (details of which were described in the Company's circular dated 26 May 2021) on 29 October 2021. Thus, its fully written off amount of HK\$157,701,000 was discharged.

12. ACCOUNTS PAYABLE

The balances as at 31 March 2023 and 2022, based on the trade date, were all aged within 90 days.

13. OTHER PAYABLES AND ACCRUALS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Accrued expenses	14,142	12,146
Interest payables	18	–
Other payables	64	47
	<u>14,224</u>	<u>12,193</u>

14. BORROWINGS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current:		
Bank borrowing, unsecured	30,000	–
Borrowing from an immediate holding company, unsecured	–	40,000
	<u>30,000</u>	<u>40,000</u>
Total current borrowings	<u>30,000</u>	<u>40,000</u>
Non-current:		
Borrowing from an immediate holding company, unsecured	34,057	–
	<u>34,057</u>	<u>–</u>
Total borrowings	<u>64,057</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 consolidated financial statements of the Group for the year ended 31 March 2023.

QUALIFIED OPINION

In our opinion, except for the effects on the corresponding figures of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements give a true and fair view of the Group's consolidated financial position as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and, and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

We had not been able to carry out audit procedures to obtain sufficient reliable audit evidence to satisfy ourselves as to (i) whether the Group had lost its control over the Deconsolidated Subsidiaries (as defined in Note 2.1(c) to the consolidated financial statements for the year ended 31 March 2023) from 1 April 2019 to the date of disposal of entire interests therein on 1 November 2021, as described in Note 2.1(c), (ii) the valuation of interests in associates from 1 April 2019 to the date of disposal of entire interests therein on 1 November 2021, as described in Note 7, and (iii) the valuation of interest in an equity investment at fair value through other comprehensive income from 1 April 2019 to the date of disposal of entire interest therein on 1 November 2021, as described in Note 7. Consequently, we were unable to determine (i) whether the Group's equity on 1 April 2021 was free from material misstatement, (ii) whether the Group's results of operations, other comprehensive income and cash flows might have been materially affected due to exclusion of Deconsolidated Subsidiaries from consolidation from 1 April 2021 to the date of disposal on 1 November 2021, (iii) whether no share of results and other comprehensive income of associates in the consolidated statement of profit or loss and consolidated statement of comprehensive income respectively from 1 April 2021 to the date of disposal on 1 November 2021 were free from material misstatements, (iv) whether no fair value change on the above equity investment in the consolidated statement of comprehensive income from 1 April 2021 to the date of disposal on 1 November 2021 was free from material misstatement, and (v) whether the gain on restructuring recognised in the consolidated statement of profit or loss for the year ended 31 March 2022 was free from material misstatement. Our audit opinion on the consolidated financial statements for the year ended 31 March 2022 was disclaimed accordingly. Our opinion on the current year's consolidated financial statements is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (the “Code”) issued by the HKICPA, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Liquidity, financial resources and capital structure

As at 31 March 2023, the Group had total assets, net current assets and net assets of approximately HK\$117 million (2022: HK\$133 million), HK\$30 million (2022: net current assets of HK\$36 million) and HK\$34 million (2022: net assets of HK\$65 million) respectively, and cash and bank balances of HK\$65 million (2022: HK\$68 million). The current ratio (current assets/current liabilities) was 1.63 (2022: 1.57). The Group had an unsecured bank borrowing of HK\$30 million (2022: Nil) and an unsecured borrowing from an immediate holding company of HK\$34 million (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 was 190.4% at 31 March 2023 (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\$3 million included in finance cost of HK\$4 million for the year ended 31 March 2023 was incurred on the new external borrowing obtained during the year. Total finance costs for the year reduced by 98.9% as compared to the corresponding period in 2022 of HK\$381 million. The Group’s funding and treasury policy is designed to maintain a diversified and balanced debt profile and financing structure. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollar and 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 year ended 31 March	2023	2022	Increase/ (decrease)
	HK\$’000	HK\$’000	
Consolidated turnover	12,792	43,649	(70.7)%
Operating expenses (<i>note</i>)	93,555	92,493	1.1%
Consolidated net (loss)/profit	(89,910)	2,769,716	(103.2)%

Note: Excluded one-off gain on restructuring of HK\$3,218 million and restructuring costs of HK\$13 million recorded for the year ended 31 March 2022.

For the year ended 31 March 2023, the Group's consolidated revenue decreased to HK\$13 million as a result of a fall in business volume caused by the decline in primary and secondary capital markets activities.

Operating expenses, amounted to HK\$94 million, remained stable for the corresponding year in 2022 of HK\$92 million (excluded the one-off restructuring gain and costs recorded in 2022). Total employee benefit expenses (including directors' remuneration) amounted to HK\$55 million for the year (2022: HK\$50 million). Consultancy, legal and professional fees amounted to HK\$12 million (2022: HK\$15 million) were incurred for the year 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 consolidated net loss attributable to Shareholders for the year ended 31 March 2023 of HK\$90 million (2022: net profit of HK\$2,770 million), primarily due to reduction of revenue and income of HK\$36 million and increase in employee benefit expense of HK\$5 million for the year, in addition to a one-off net non-recurring gain of HK\$2,819 million recorded in last financial year. The one-off net non-recurring gain for the year 2022 composed of restructuring gain of HK\$3,218 million, restructuring costs of HK\$13 million, finance costs of HK\$379 million which was incurred mainly due to interest accrued on default on certain borrowings and debts that were transferred to the Creditor's Schemes on 29 October 2021 (details of which were described in the Company's circular dated 26 May 2021) and profits tax charge of HK\$7 million provided for prior year. Basic loss per share was HK0.5 cents (2022: earning of HK30.9 cents); diluted loss per share was HK0.5 cents (2022: earning of HK25.8 cents).

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2023 (2022: Nil).

Business Review

Our business is organised into three segments: (1) Global markets business, which includes our brokerage and investment banking businesses; (2) Asset management business; and (3) Insurance brokerage business.

For the year ended 31 March

Segmental revenue	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	Decrease
Global markets business	10,143	35,368	71.3%
Asset management business	167	3,957	95.8%
Insurance brokerage business	<u>2,482</u>	<u>4,324</u>	42.6%
Total revenue	<u><u>12,792</u></u>	<u><u>43,649</u></u>	70.7%

Global Markets Business

Our global markets business offers investment banking services, including mergers and acquisitions (“M&A”) advisory, placing and underwriting business and structured financing. Due to slowdown in IPO fundraising and increase in interest rates, our global markets business revenue for the year ended 31 March 2023 decreased by 71.3% to HK\$10 million from HK\$35 million in 2022.

During the fiscal year, in order to provide a better experience for our clients and business partners, the Group has made great strides in upgrading our trading system to a more efficient and user-friendly platform. To capitalise on the rapidly evolving awareness and investment appetite of virtual assets (“VA”) and broaden our revenue generating stream of the business, the Group has been actively establishing partnerships with global VA platforms and exchanges and offering new VA structuring products. The Group is confident that the traditional investment banking business is set for a rebound and our VA business will materialise during the financial year ended 31 March 2024.

Asset Management Business

Our asset management business offers traditional asset management products and services, including investment advisory, portfolio management and transaction execution, to professional and institutional investors. Our asset management business demonstrated innovative product and solution development with the arrival of high-caliber senior management team. During the year ended 31 March 2023, our asset management business revenue decreased by 95.8% to HK\$0.2 million from HK\$4 million in 2022 as the broader financial markets remained sluggish. Due to adverse market conditions and increasing interest rate environment during the year ended 31 March 2023, we see a significant decrease in risk appetite from our clients. As a result, we have introduced treasury management and principal protected strategies to cater for the change in risk landscape. In light of China border opening, we have also begun business development and infrastructure build-up work in China cross-border asset management businesses via strategic partnership with regulated financial institutions in Mainland China and Hong Kong, China.

Insurance Brokerage Business

Our insurance brokerage business engages in the distribution of insurance products to corporate and individual clients and the provision of wealth management planning and related services, especially in the Hong Kong and Greater Bay Area (“GBA”) region. During the year ended 31 March 2023, our insurance brokerage business revenue decreased by 42.6% to HK\$2 million from HK\$4 million in 2022 due to challenging market conditions. As normal activities resumed following the reopening of borders, our insurance brokerage business is on track to regain growth momentum.

EVENTS AFTER REPORTING PERIOD

On 16 May 2023, the Company entered into a bond subscription agreement with the issuer (being a wholly-owned subsidiary of the Company) and an independent bond subscriber in relation to subscription of bonds of issuer in the principal amount of HK\$40 million under general mandate for 296,846,011 conversion shares at initial conversion price of HK\$0.13475 per conversion share. The Company will guarantee the due payment of all sums payable by the issuer under the bonds and the conversion shares will be issued under the general mandate.

The completion of the issue of the bonds took place on 30 May 2023. The net proceeds from the issue of the bonds are approximately HK\$38.1 million, net of professional fees and expenses. As at the date of this announcement, the bonds in the principal of HK\$40 million were issued to the bond subscriber in accordance with the terms and conditions of the bond subscription agreement. Details of the issue of bonds under general mandate (including, the intention to deploy certain amount of the net proceeds on external software development for blockchain-related and cryptographic solutions) were set out in the announcements of the Company dated 16 May 2023 and 30 May 2023.

Save 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 31 March 2023.

CAPITAL COMMITMENTS

Save as disclosed elsewhere in this announcement, the Group did not have any material capital commitment as at 31 March 2023.

EMPLOYEES' REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

As at 31 March 2023, the Group employed 61 staff members including the Executive Directors of the Company (2022: 68 staff members). Staff costs incurred for the year, including directors' remuneration, were HK\$55 million (2022: HK\$50 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 year, 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. The Company offers continuous learning and training programs to employees to enhance their skills and knowledge.

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

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

AUDIT COMMITTEE

The Audit Committee comprising two Independent Non-executive Directors (“INEDs”), namely Ms. Ling Kit Sum Imma and Dr. Tam Lai Fan Gloria, and one Non-executive Director, namely Mr. Han Kam Leung, Michael, has reviewed with the management and the Board the accounting principles and practices adopted by the Group and discussed auditing, internal controls, risk management, corporate governance and financial reporting matters including a review of the annual results of the Group for the year ended 31 March 2023.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement have been agreed by the Company's auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 March 2023. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on the preliminary announcement.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”) as its own code on corporate governance practices. During the reporting period, the Company appeared to comply, based on the information available to the directors of the Company (the “Directors”), with the code provisions as set out in the CG Code, with the exception of code provision F.2.2 and saved as otherwise disclosed in this announcement.

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 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with all Directors, throughout the reporting period, 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 year ended 31 March 2023.

ANNUAL GENERAL MEETING

A notice convening the annual general meeting will be published and despatched to the shareholders of the Company in accordance with the requirements of the Listing Rules and the articles of association of the Company in due course.

PUBLICATION OF FINANCIAL INFORMATION

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

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

Hong Kong, 28 June 2023

As at the date of this announcement, the Board of the Company comprises Dr. Cheng Chi-Kong, Adrian JP (Chairman) and Mr. Han Kam Leung, Michael as Non-executive Directors, Mr. Lau Fu Wing, Eddie (Chief Executive Officer), Ms. Li Chuchu, Tracy (Deputy Chief Financial Officer) and Ms. Yeung Shuet Fan Pamela (Chief Financial Officer) as Executive Directors, and Ms. Ling Kit Sum Imma, Mr. Lo Chun Yu Toby and Dr. Tam Lai Fan Gloria as Independent Non-executive Directors.