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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Mui Ho Cheung Gary  
(*Chairman and Chief Executive Officer*)

Mr. Liu Chi Wai

Mr. Ng Siu Hin Stanley

Ms. Ho Sze Man Kristie

### Independent Non-executive Directors

Ms. Lim Yan Xin Reina

Mr. Poon Lai Yin Michael

Dr. Wong Ho Ki

## AUDIT COMMITTEE

Ms. Lim Yan Xin Reina (*Chairlady*)

Mr. Poon Lai Yin Michael

Dr. Wong Ho Ki

## REMUNERATION COMMITTEE

Mr. Poon Lai Yin Michael (*Chairman*)

Ms. Lim Yan Xin Reina

Dr. Wong Ho Ki

## NOMINATION COMMITTEE

Mr. Mui Ho Cheung Gary (*Chairman*)

Ms. Lim Yan Xin Reina

Mr. Poon Lai Yin Michael

Dr. Wong Ho Ki

## AUTHORISED REPRESENTATIVES

Mr. Mui Ho Cheung Gary

Mr. Ng Siu Hin Stanley

## COMPANY SECRETARY

Mr. Lam Yau Lun

## AUDITOR

BDO Limited

*Certified Public Accountants*

25th Floor

Wing On Centre

111 Connaught Road Central

Hong Kong

## COMPLIANCE ADVISER

TUS Corporate Finance Limited  
15/F, Shanghai Commercial Bank Tower  
12 Queen's Road Central  
Hong Kong

## REGISTERED OFFICE

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1601, 16th Floor  
China Building  
29 Queen's Road Central  
Hong Kong

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICER

Boardroom Share Registrars (HK) Limited  
2103B, 21st Floor  
148 Electric Road  
North Point  
Hong Kong

## PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited  
33rd Floor, ICBC Tower  
3 Garden Road  
Central, Hong Kong

Hang Seng Bank Limited  
83 Des Voeux Road Central  
Hong Kong

Bank of China (Hong Kong) Limited  
1 Garden Road  
Hong Kong

## COMPANY'S WEBSITE

[www.legogroup.hk](http://www.legogroup.hk)

## STOCK CODE

3938

# Management Discussion and Analysis

## OVERVIEW

LFG Investment Holdings Limited (the “Company”) together with its subsidiaries (the “Group”) is an active financial services provider in Hong Kong licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”). The Group principally engages in the provision of (i) corporate finance advisory services; (ii) securities and financing services; and (iii) asset management services through its main operating subsidiaries, namely Lego Corporate Finance Limited, Lego Securities Limited and Lego Asset Management Limited.

The shares of the Company (the “Shares”, each a “Share”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30 September 2019 (the “Listing”) by way of share offer with net proceeds of approximately HK\$99.1 million. The net proceeds from the Listing strengthens the Group’s financial position and enables it to pursue its business strategies to continue to grow and develop its businesses.

Following the Listing, the Group aims to utilise its established integrated financial service platform for providing a wide range of financial and securities services to its clients. The Group provides corporate finance advisory services including (i) acting as sponsor to companies seeking to list on the Main Board or GEM of the Stock Exchange; (ii) acting as financial adviser and independent financial adviser; and (iii) acting as compliance adviser. On the other hand, the Group also provides placing and underwriting services, securities dealing and brokerage services, securities financing services as well as asset management services to its clients.

Corporate finance advisory business remains as the key business driver and the Group intends to leverage on its ability to continually provide high quality corporate finance advisory services to its clients. During the six months ended 30 September 2019 (the “Period”), the corporate finance advisory services have contributed a majority of the revenue of the Group.

Supported by the foundation built by the corporate finance advisory services, the Group continues to develop the securities and financing services and asset management services. During the Period, the Group has completed seven IPO underwriting projects, of which two of them were sponsored by the Group, and one rights issue underwriting project. The Group has also launched two funds during the Period, namely Lego Vision Fund SP and Lego China Special Opportunities Fund SP.

## REVIEW

### Market Review

The Hong Kong financial market during the Period remained volatile against uncertainties involving global and local economic and political situation, including the backdrop of the Sino-US trade dispute, U.S. interest rate outlook, outcome of Brexit and recent social unrest in Hong Kong. The market situation continues to impact on market sentiment in Hong Kong.

Furthermore, the regulators have implemented the more stringent assessment and closer scrutiny on suitability for listing and “shell activities”, which may adversely affect the IPO sponsorship services and financial advisory services in relation to disposal of controlling interests in listed companies. Both the Stock Exchange and the Securities and Futures Commission (the “SFC”) have recently published guidance letters and statement advocating the heightened review of listing applications and closer scrutiny on backdoor listing, in an effort to crackdown on “shell activities”.

Despite the Group continues to secure healthy project pipeline, its business is unavoidably affected as the demand for corporate finance advisory and underwriting services in the industry and its business is dependent on the market conditions. The Company will continue to monitor the market situation and take necessary steps to build and develop its business.

# Management Discussion and Analysis (Continued)

## Business Review

The Group continued to derive a majority of its revenue from its corporate finance advisory services during the Period, which accounted for approximately 83.6% (2018: approximately 72.9%) of the Group's total revenue. The Group's other businesses, namely (i) securities and financing services and (ii) asset management services, contributed approximately 16.4% and 0.04% (2018: approximately 27.1% and nil) of its total revenue during the Period, respectively.

### Corporate Finance Advisory Services

The Group's corporate finance advisory services include (i) IPO sponsorship services; (ii) financial and independent financial advisory services; and (iii) compliance advisory services.

The Group's corporate finance advisory business recognised a drop in revenue of approximately 10.8%, from approximately HK\$48.4 million for the six months ended 30 September 2018 to approximately HK\$43.2 million during the Period.

#### (i) *IPO sponsorship services*

IPO sponsorship services remained as the Group's core revenue driver for the Period. During the Period, the Group was engaged in 22 IPO sponsorship projects (2018: 16) and has completed 2 IPO sponsorship engagements (2018: 2).

Revenue generated from IPO sponsorship services was approximately HK\$15.8 million during the Period (2018: approximately HK\$19.6 million).

#### (ii) *Financial and independent financial advisory services*

The Group acts as (i) financial advisers to clients to advise them on the terms and structures of the proposed transactions, and the relevant implications and compliance matters under the Hong Kong regulatory framework including, among others, the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Takeovers Code; or (ii) independent financial advisers to independent board committees and/or independent shareholders of listed companies in Hong Kong rendering recommendations and opinions.

Revenue generated from financial and independent financial advisory services was approximately HK\$23.0 million during the Period (2018: approximately HK\$24.0 million). During the Period, the Group was engaged in 50 financial advisory projects and 39 independent financial advisory projects (2018: 28 and 24).

#### (iii) *Compliance advisory services*

The Group acts as compliance advisers to listed companies in Hong Kong advising them on post-listing compliance matters in return for advisory fee.

Revenue generated from compliance advisory services was approximately HK\$4.3 million during the Period (2018: approximately HK\$4.9 million). During the Period, the Group was engaged in 21 compliance advisory projects (2018: 21).

# Management Discussion and Analysis (Continued)

## Securities and Financing Services

The Group provides (i) placing and underwriting services by acting as global coordinator, bookrunner, lead manager or underwriter for listing applicants in IPOs and underwriter or placing agent for secondary market transactions, in return for placing and/or underwriting commission income; (ii) securities dealing and brokerage services for trading in securities on the Stock Exchange and in other overseas markets; and (iii) securities financing services to its clients by providing margin financing for securities purchases on the secondary market and IPO financing for new share subscriptions in IPOs.

During the Period, the Group completed 7 transactions as underwriter for IPOs and 1 transaction as underwriter for secondary market fund raising exercise (2018: 7 and nil).

Revenue generated from securities and financing business was approximately HK\$8.5 million during the Period (2018: approximately HK\$18.0 million).

## Asset Management Services

The Group provides fund management services to its clients.

As at 30 September 2019, the asset under management by the Group was approximately US\$4.1 million (equivalent to approximately HK\$31.9 million) (31 March 2019: nil). The revenue generated from asset management services was approximately HK\$20,000 during the Period (2018: nil).

## Financial Review

### Revenue

The total revenue of the Group decreased from approximately HK\$66.4 million for the six months ended 30 September 2018 to approximately HK\$51.6 million for the Period, representing a decrease of approximately 22.2%, mainly as a result of decrease in revenue of the corporate finance advisory services and securities and financing services.

### Administrative and Other Expenses

The Group's administrative and other expenses increased by approximately 146.7% from approximately HK\$7.1 million for the six months ended 30 September 2018 to approximately HK\$17.5 million for the Period, primarily due to recognition of Listing expenses of approximately HK\$8.0 million as a result of successful Listing on 30 September 2019.

### Staff Costs

Staff costs increased by approximately 50.4% from approximately HK\$16.3 million for the six months ended 30 September 2018 to approximately HK\$24.6 million for the Period primarily due to increase in headcounts and recognition of equity settled share-based payment expenses of approximately HK\$2.7 million during the Period.

### Adjusted profit and total comprehensive income

Adjusted profit and total comprehensive income (excluding the Listing expense and equity settled share-based payment expenses) for the Period was approximately HK\$16.3 million (2018: approximately HK\$35.8 million), primarily due to decrease in revenue and increase in staff cost.

### Profit attributable to the owners of the Company

Profit for the Period attributable to the owners of the Company dropped to approximately HK\$5.5 million (2018: approximately HK\$35.8 million) primarily due to decrease in revenue, recognition of Listing expenses and increase in staff costs.

# Management Discussion and Analysis (Continued)

## Liquidity, Financial Resources and Capital Structure

During the Period, the Group's working capital and other capital requirements were principally satisfied by cash generated from the Group's operations and capital.

As at 30 September 2019, the Group's net current assets amounted to approximately HK\$164.8 million (31 March 2019: approximately HK\$56.0 million), and its liquidity as represented by current ratio (current assets/current liabilities) was approximately 2.0 times (31 March 2019: approximately 2.2 times). Cash and cash equivalents balances amounted to approximately HK\$191.7 million (31 March 2019: approximately HK\$52.2 million). As at 30 September 2019, the Group has no bank loans but has short term advances from margin financing of approximately HK\$9.6 million (31 March 2019: nil). As at 30 September 2019, the Group's total debt incurred not in the ordinary course of business (including advances from margin financing and lease liabilities) were approximately HK\$21.5 million (31 March 2019: nil), representing a gearing ratio of approximately 0.12 (31 March 2019: nil).

Gearing ratio is calculated based on total borrowings divided by the total equity as at the end of the Period.

On 30 September 2019, the Shares were listed on the Main Board of the Stock Exchange by way of share offer of 72,000,000 Shares at a final offer price of HK\$1.68 per Share with net proceeds of approximately HK\$99.1 million. The Company believes that the funding from the share offer would further strengthen the Group's position in the financial service industry in Hong Kong and implement its business strategies to develop its business as an integrated and quality financial services provider.

## Pledge of Assets

As at 30 September 2019, the Group did not have any pledged assets (31 March 2019: nil).

## Foreign Currency Exposure

The majority of the Group's revenue is denominated in Hong Kong dollars and the Group's accounts are prepared in Hong Kong dollars. Consequently, the exposure to the risk of foreign exchange rate fluctuations for the Group is immaterial.

## Capital Commitments and Contingent Liabilities

As at 30 September 2019, the Group did not have any significant capital commitment and contingent liabilities (31 March 2019: nil).

## Employees and Remuneration Policies

As at 30 September 2019, the Group employed 51 staff (including executive directors of the Company (the "Directors")) (30 September 2018: 41). The remuneration of the Group's employees generally consists of monthly salary, which is determined based on, among other things, the employees' experience, qualification, position and responsibilities and discretionary bonus which is determined at the management's sole discretion based on, among other things, the relevant employee's performance and the Group's financial performance. Moreover, the Group provides employees training programs or subsidies employees to attend various job related training courses. Employee benefit expenses primarily consist of salaries, bonus and allowance as well as contributions to the mandatory provident fund for the executive Directors and employees of the Group.

Apart from basic remuneration, share options may be granted under the share option scheme of the Company to eligible employees by reference to the Group's performance as well as the individual's contribution. As disclosed in the prospectus of the Company dated 17 September 2019 (the "Prospectus"), the Company adopted the pre-IPO share option scheme on 6 March 2019 and a post-IPO share option scheme on 10 September 2019 to incentivise and retain staff members who have made contributions to the success of the Group. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.

## Management Discussion and Analysis (Continued)

### Significant Investments, Material Acquisitions and Disposal of Subsidiaries and Capital Assets

Save for the Reorganisation, the investments in subsidiaries, and the investment of seed money into Lego Vision Fund SP at cost of approximately US\$1.5 million (equivalent to approximately HK\$11.7 million), the Group did not have any significant investments, material acquisitions and disposals of subsidiaries and capital assets during the Period. The net asset value per share in respect of Lego Vision Fund SP was decreased from US\$100 (equivalent to approximately HK\$778.0) on 1 April 2019, being the launch date of Lego Vision Fund SP, to approximately US\$98.78 (equivalent to approximately HK\$768.5) on 30 September 2019, representing a negative return of approximately 1.2%. In view of concerns on economy and political, it is expected that the market will be, as in 2019, very volatile. However, the portfolio of Lego Vision Fund SP is built according to the mandate for steady absolute return and the fund manager believes that the performance of Lego Vision Fund SP can outperform in 2020.

### Risk Management

The objective of the Group's risk management is to achieve an appropriate balance between risk and return, and reduce the negative impact on its operating results and maximise shareholder's value. The Group's risk management strategy is to identify and analyse the various risks faced by the Group, establish appropriate risk tolerance, and reliably measure and monitor the risks on a timely and effective manner to ensure the risks are controlled within the tolerance level.

### Outlook and Prospect

The Hong Kong financial market remained volatile against the backdrop of the Sino-US trade dispute and the slowing global economic growth momentum. The market continued to be sensitive to uncertainties, such as the Sino-US trade dispute, U.S. interest rate outlook, outcome of Brexit and recent social unrest in Hong Kong (the "Uncertainties").

Any adverse market condition or market sentiment may affect clients' decision on the scale, timing and platform in respect of their fund raising needs, which may lead to lower demand for, delay to or termination of fund raising activities and the Group's services.

With the Group's diversified business portfolio which creates synergies between its business lines and the Group's experiences to advise on broad spectrum of corporate transactions which covers not only fund raising activities, but also resumption, restructuring and other corporate actions, the Directors believe the Group is capable to secure new mandates and maintain a healthy project pipeline. However, the Group's business and revenue may likely be adversely affected if the Uncertainties continue to dampen the outlook of the market.

The successful Listing strengthens the Group's capital base and enhances its reputation in the market, which in turn increases the Group's competitiveness in securing corporate finance advisory mandates and underwriting and placing engagements and seizing opportunities for its securities financing business. The net proceeds from the Listing also provides sufficient financial resources for the Group to develop its business.

Going forward, the management will continue to leverage on their business network and relationships to source and retain clients and implement prudent risk management system to manage the Group's risk exposure so as to maximise the returns of its shareholders and investors.

# Corporate Governance/Other Information

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "Shareholders") and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

As of 30 September 2019 (being the Listing Date), the Company has complied with all applicable code provisions under the CG Code and adopted most of the best practices set out therein except for the following provision.

Under code provision A.2.1 of the CG Code, which requires the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Mui Ho Cheung Gary currently holds both positions. Mr. Mui, an executive Director and controlling Shareholder, has held key leadership position of the Group since March 2016 and has been responsible for overall strategic planning, management, operation and business development of the Group. The Directors (including the independent non-executive Directors) consider that Mr. Mui is the best candidate for both positions and the present arrangements are beneficial and in the interest of the Group and its Shareholders as a whole.

The Directors will review the corporate governance policies and compliance with the CG Code each financial year and apply the "comply or explain" principle in the corporate governance report which will be included in the annual reports.

The Directors have a balanced mix of experience and industry background, including but not limited to experience in the corporate finance, legal, business advisory and accounting industries. The three independent non-executive Directors who have different industry backgrounds, represent more than one-third of the Board members.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as its own code of conduct regarding Directors' securities transactions since 30 September 2019 (the "Listing Date"). Having made specific enquiries with the Directors, all of the Directors confirmed that he/she has complied with the required standards as set out in the Model Code since the Listing Date and up to the end of the Period.

## INTERIM DIVIDEND

On 10 September 2019, the Company declared dividend of HK\$6,000,000, which was fully paid by its internal resources before the Listing.

The Board further declared the payment of an interim dividend of HK\$0.025 per Share for the six months ended 30 September 2019 to the Shareholders whose names appear on the Company's register of members on 12 December 2019. The interim dividend is expected to be paid on 30 December 2019.



### **CLOSURE OF REGISTER OF MEMBERS**

In order to determine the entitlement of the Shareholders to receive the interim dividend, the register of members of the Company will be closed from 9 December 2019 to 12 December 2019, both days inclusive, during which period no transfer of Shares will be registered. All transfer documents, accompanied by the relevant share certificates, shall be lodged with the Company's share registrars in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong no later than 4:30 p.m. on 6 December 2019 for registration.

### **AUDIT COMMITTEE**

The Board has established an audit committee (the "Audit Committee"), which comprises three independent non-executive Directors, namely Ms. Lim Yan Xin Reina (Chairlady), Mr. Poon Lai Yin Michael and Dr. Wong Ho Ki. The Audit Committee has also adopted written terms of reference which clearly set out its duties and obligations (the terms of reference are available on the websites of the Company and the Stock Exchange).

### **REVIEW OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2019 have been reviewed by our auditor, BDO 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. The Audit Committee has also reviewed the unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2019 including the accounting principles and practices adopted by the Group.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities on 30 September 2019 (being the Listing Date).

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

Save for the disclosure as set out under the section headed "Use of Net Proceeds from Listing" below, the Group did not have any specific future plan for material investments or capital assets as at 30 September 2019.

## Corporate Governance/Other Information (Continued)

### USE OF NET PROCEEDS FROM LISTING

The Shares were listed on the Main Board of the Stock Exchange on 30 September 2019. Net proceeds (after deducting the underwriting fees and estimated expenses payable by the Company) from the share offer amounted to approximately HK\$99.1 million. Accordingly, the Group adjusted the use of proceeds in the same manner as stated in the Prospectus. The details of intended application of net proceeds from the share offer are set out as follows:

Item	Approximate % of total net proceeds	Net proceeds from the share offer (HK\$ million)	Utilised up to 30 September 2019 (HK\$ million)	Unutilised as at 30 September 2019 (HK\$ million)	Expected timeline of full utilisation of the unutilised proceeds
Increase capital base for underwriting business	56.8%	56.3	–	56.3	By the end of financial year ending 31 March 2022
Expand equity capital markets (ECM) team	4.1%	4.1	–	4.1	By the end of financial year ending 31 March 2022
Invest seed money for new fund under the asset management business	13.6%	13.5	–	13.5	By the end of financial year ending 31 March 2021
Increase capital base for the securities financing business	9.1%	9.0	–	9.0	By the end of financial year ending 31 March 2021
Expand corporate finance advisory team	6.4%	6.3	–	6.3	By the end of financial year ending 31 March 2022
Working capital and general corporate purposes	10.0%	9.9	–	9.9	By the end of financial year ending 31 March 2021
<b>Total</b>	<b>100.0%</b>	<b>99.1</b>	<b>–</b>	<b>99.1</b>	

The unutilised net proceeds are placed in licensed banks in Hong Kong as at 30 September 2019.

## Corporate Governance/Other Information (Continued)

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2019, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

#### (i) Interests in the Shares and underlying Shares

Name of Director	Capacity/Nature of Interest	Number of Shares held/ interested <sup>(1)</sup>	Approximate percentage of shareholding <sup>(7)</sup>
Mr. Mui Ho Cheung Gary ("Mr. Mui")	Interest of a controlled corporation <sup>(2)</sup>	299,492,188 (L)	73.80%
	Beneficial owner <sup>(3)</sup>	4,763,452 (L)	1.17%
Mr. Liu Chi Wai ("Mr. Liu")	Beneficial owner <sup>(4)</sup>	1,732,165 (L)	0.43%
Mr. Ng Siu Hin Stanley ("Mr. Ng")	Beneficial owner <sup>(5)</sup>	1,732,165 (L)	0.43%
Ms. Ho Sze Man Kristie ("Ms. Ho")	Beneficial owner <sup>(6)</sup>	1,732,165 (L)	0.43%

Notes:

- (1) The letter "L" denotes the person's long position in the relevant Shares or underlying Shares.
- (2) Mr. Mui legally and beneficially owns approximately 90.38% of the issued shares of Lego Financial Group Limited and is its sole director. Accordingly, Mr. Mui is deemed to be interested in the 299,492,188 Shares held by Lego Financial Group Limited by virtue of the SFO.
- (3) Mr. Mui is interested in the 4,763,452 underlying Shares which may be allotted and issued to him upon full exercise of all the options granted to him under the pre-IPO share option scheme approved and adopted by the Company on 6 March 2019 ("Pre-IPO Share Option Scheme").
- (4) Mr. Liu is interested in the 1,732,165 underlying Shares which may be allotted and issued to him upon full exercise of all the options granted to him under the Pre-IPO Share Option Scheme.
- (5) Mr. Ng is interested in the 1,732,165 underlying Shares which may be allotted and issued to him upon full exercise of all the options granted to him under the Pre-IPO Share Option Scheme.
- (6) Ms. Ho is interested in the 1,732,165 underlying Shares which may be allotted and issued to her upon full exercise of all the options granted to her under the Pre-IPO Share Option Scheme.
- (7) There were 405,794,080 Shares in issue as at 30 September 2019.

## Corporate Governance/Other Information (Continued)

### (ii) Interests in shares of the associated corporation

<b>Name of Director</b>	<b>Associated corporation</b>	<b>Capacity/ Nature of Interest</b>	<b>Number of shares held<sup>(1)</sup></b>	<b>Approximate percentage of shareholding in the associated corporation</b>
Mr. Mui	Lego Financial Group Limited	Beneficial owner	8,450 (L)	90.38%
Mr. Liu	Lego Financial Group Limited	Beneficial owner	350 (L)	3.74%
Mr. Ng	Lego Financial Group Limited	Beneficial owner	350 (L)	3.74%
Ms. Ho	Lego Financial Group Limited	Beneficial owner	100 (L)	1.07%

Note:

(1) The letter "L" denotes the person's long position in the relevant shares of the associated corporation.

Save as disclosed above, as at 30 September 2019, none of the Directors or the chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### CHANGES TO DIRECTORS' INFORMATION

There was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since the publication of the Prospectus.

## Corporate Governance/Other Information (Continued)

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2019, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares/ underlying Shares held/interested <sup>(1)</sup>	Approximate percentage of shareholding <sup>(3)</sup>
Lego Financial Group Limited	Beneficial owner	299,492,188 (L)	73.80%
Ms. Ki Sin Yee Cindy ("Ms. Ki")	Interest of spouse <sup>(2)</sup>	304,255,640 (L)	74.98%
Mr. Wong Wing Shing	Beneficial owner	20,820,312 (L)	5.13%

Notes:

- (1) The letter "L" denotes the person's long position in the relevant Shares or underlying Shares.
- (2) Ms. Ki is the spouse of Mr. Mui and is therefore deemed to be interested in all the Shares and underlying Shares that Mr. Mui is interested in by virtue of the SFO.
- (3) There were 405,794,080 Shares in issue as at 30 September 2019.

Save as disclosed above, as at 30 September 2019, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

### SHARE OPTION SCHEMES

#### (a) Pre-IPO Share Option Scheme

The Company has conditionally adopted the Pre-IPO Share Option Scheme, which was approved by the written resolution of the then sole shareholder passed on 6 March 2019. The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of, and to provide an incentive to, certain staff of the Group who have contributed and/or will contribute to the Group, in order to motivate and retain them for the operation and development of the Group.

An option shall vest unto a grantee and may be exercised by the grantee during the option period (the "Option Period"), being a period commencing on the Listing Date (i.e. 30 September 2019) and ending on 6 March 2027, being the eighth anniversary of the date of adoption of the Pre-IPO Share Option Scheme, and in accordance with the manner provided in the grant letter of the option issued by the Company to the grantee subject to any adjustments under the Pre-IPO Share Option Scheme. The options may only be exercised in the following manner:

- (i) not more than 10,200,000 Shares (representing not more than 30% of the total number of Shares to be allotted and issued pursuant to the exercise of all the options under the Pre-IPO Share Option Scheme) comprised in all the options under the Pre-IPO Share Option Scheme shall vest unto the grantees and become exercisable during the period commencing from the Listing Date and ending on the day immediately before the first anniversary of the Listing Date (the "First Vesting Period");
- (ii) not more than 10,200,000 Shares (representing not more than 30% of the total number of Shares to be allotted and issued pursuant to the exercise of all the options under the Pre-IPO Share Option Scheme) comprised in all the options under the Pre-IPO Share Option Scheme shall vest unto the grantees and become exercisable during the period commencing on the day falling on the first anniversary of the Listing Date and ending on the day immediately before the second anniversary of the Listing Date (the "Second Vesting Period"); and
- (iii) the remaining Shares comprised in the options under the Pre-IPO Share Option Scheme (being not more than 13,600,000 Shares, representing not more than 40% of the total number of Shares to be allotted and issued pursuant to the exercise of all the options under the Pre-IPO Share Option Scheme) shall vest unto the grantees and become exercisable during the period commencing on the day falling on the second anniversary of the Listing Date and ending on the day immediately before the third anniversary of the Listing Date (the "Third Vesting Period"). For the avoidance of doubt, any outstanding and unexercised option(s) at the end of the First Vesting Period shall be carried over to the Second Vesting Period and shall be exercisable during the Second Vesting Period. Any outstanding and unexercised option(s) at the end of the Second Vesting Period shall be carried over to the Third Vesting Period and shall be exercisable during the Third Vesting Period and until the end of the Option Period.

## Corporate Governance/Other Information (Continued)

Details of the interests of the Directors, chief executive, senior management and other employees of the Group in the options under the Pre-IPO Share Option Scheme are set out below:

Name of grantee	Date of grant	Vesting period	Subscription price per Share (HK\$)	Number of Shares in relation to outstanding options as at the date of grant	Granted between the date of grant and 30 September 2019	Exercise between the date of grant and 30 September 2019	Cancelled between the date of grant and 30 September 2019	Lapsed between the date of grant and 30 September 2019	Number of Shares in relation to outstanding options as at 30 September 2019
<b>Directors</b>									
Mr. Mui	6 March 2019	First Vesting Period	0.6	1,429,035	-	-	-	-	1,429,035
		Second Vesting Period	0.6	1,429,035	-	-	-	-	1,429,035
		Third Vesting Period	0.6	1,905,382	-	-	-	-	1,905,382
Mr. Liu	6 March 2019	First Vesting Period	0.6	519,649	-	-	-	-	519,649
		Second Vesting Period	0.6	519,649	-	-	-	-	519,649
		Third Vesting Period	0.6	692,867	-	-	-	-	692,867
Mr. Ng	6 March 2019	First Vesting Period	0.6	519,649	-	-	-	-	519,649
		Second Vesting Period	0.6	519,649	-	-	-	-	519,649
		Third Vesting Period	0.6	692,867	-	-	-	-	692,867
Ms. Ho	6 March 2019	First Vesting Period	0.6	519,649	-	-	-	-	519,649
		Second Vesting Period	0.6	519,649	-	-	-	-	519,649
		Third Vesting Period	0.6	692,867	-	-	-	-	692,867
Subtotal				9,959,947	-	-	-	-	9,959,947
Senior management and other employees in aggregate	6 March 2019	First Vesting Period	0.6	6,729,445	-	5,794,080	-	103,929	831,436
		Second Vesting Period	0.6	6,729,445	-	-	-	103,929	6,625,516
		Third Vesting Period	0.6	8,972,655	-	-	-	138,575	8,834,080
Other participant	6 March 2019	First Vesting Period	0.6	194,868	-	-	-	-	194,868
		Second Vesting Period	0.6	194,868	-	-	-	-	194,868
		Third Vesting Period	0.6	259,826	-	-	-	-	259,826
<b>Total</b>				<b>33,041,054</b>	<b>-</b>	<b>5,794,080</b>	<b>-</b>	<b>346,433</b>	<b>26,900,541</b>

## Corporate Governance/Other Information (Continued)

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The Shares were first listed on the Main Board of the Stock Exchange on 30 September 2019 with closing price at HK\$1.07 which was deemed to be the weighted average closing price of the Shares immediately before the date on which the options were exercised on 30 September 2019.

For details of the Pre-IPO Share Option Scheme, please refer to Appendix IV to the Prospectus.

### **(b) Share Option Scheme**

The Company has adopted the share option scheme (the "Share Option Scheme"), which was approved by the written resolutions of the then Shareholders passed on 10 September 2019 and became effective on the Listing Date. The purpose of the Share Option Scheme is to enable the Board to grant options to eligible persons as incentives or rewards for their contribution or potential contribution to the Group and/or to recruit and retain high caliber eligible persons and attract human resources that are valuable to the Group. For details of the Share Option Scheme, please refer to Appendix IV to the Prospectus.

As of 30 September 2019, no option had been granted or agreed to be granted by the Company under the Share Option Scheme.

By order of the Board  
**Mui Ho Cheung Gary**  
*Chairman, Chief Executive Officer  
and Executive Director*

Hong Kong, 21 November 2019



# Report on Review of Condensed Consolidated Interim Financial Information

## TO THE BOARD OF DIRECTORS OF LFG INVESTMENT HOLDINGS LIMITED

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

### INTRODUCTION

We have reviewed the condensed consolidated interim financial information set out on pages 18 to 50, which comprises the condensed consolidated statement of financial position of LFG Investment Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 September 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “condensed consolidated interim financial statements”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the condensed consolidated interim financial statements in accordance with HKAS 34.

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

### SCOPE OF REVIEW

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

### OTHER MATTER

The comparatives in the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period ended 30 September 2018, and the related explanatory notes have not been reviewed in accordance with HKSRE 2410 or audited.

### CONCLUSION

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

#### **BDO Limited**

*Certified Public Accountants*

#### **Chan Wing Fai**

Practising Certificate Number P05443

Hong Kong, 21 November 2019

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2019

	Notes	Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	5		
Corporate finance advisory services		43,160	48,402
Securities and financing services		8,467	17,975
Asset management services		20	–
Total revenue		51,647	66,377
Other income and gains or losses	6	641	55
Administrative and other expenses		(17,491)	(7,091)
Staff costs		(24,569)	(16,341)
Finance costs	7	(554)	–
Profit before income tax expenses	8	9,674	43,000
Income tax expenses	9	(4,132)	(7,241)
Profit for the period		5,542	35,759
Other comprehensive income for the period that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign operations		2	–
Other comprehensive income for the period		2	–
Profit and other comprehensive income for the period attributed to:			
Owners of the Company		5,544	35,759
Earnings per share:			
Basic earnings per share	11	1.7 HK cents	10.9 HK cents
Diluted earnings per share	11	1.7 HK cents	10.9 HK cents

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the six months ended 30 September 2019

	Notes	Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Non-HKFRS Measures</b>			
Profit for the period		5,542	35,759
Add:			
Listing expenses		8,011	–
Equity settled share-based payment expenses		2,733	–
Adjusted profit and total comprehensive income for the period <sup>(1)</sup>		16,286	35,759

<sup>(1)</sup> The Company believes that the adjusted financial measures provide useful information to investors in understanding and evaluating the Group's consolidated statements of profit or loss in the same manner as they helped the Company's management, and that the Company's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial and operating performance from period to period by eliminating impacts of items that the Group does not consider indicative of the Group's operating performance. However, the presentation of these non-HKFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with HKFRS. You should not view the adjusted results on a stand-alone basis or as a substitute for results under HKFRS.

# Condensed Consolidated Statement of Financial Position

As at 30 September 2019

	Notes	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	12	2,196	2,158
Intangible asset		500	500
Deposits with the Stock Exchange and a clearing house		205	205
Right-of-use assets	21	11,698	–
		<b>14,599</b>	2,863
<b>Current assets</b>			
Financial assets at fair value through profit or loss	13	37,624	7,800
Accounts receivable	14	41,345	22,324
Other receivables	15	3,016	2,654
Amount due from a fund under management		608	–
Cash and cash equivalents — held on behalf of customers	16	57,567	18,901
Cash and cash equivalents	17	191,675	52,186
		<b>331,835</b>	103,865
<b>Current liabilities</b>			
Accounts payable	18	115,755	19,984
Accruals and other payables	19	13,908	8,284
Other financial liabilities	20	16,707	8,426
Lease liabilities	21	6,294	–
Deferred revenue		8,307	9,255
Tax payables		6,077	1,950
		<b>167,048</b>	47,899
<b>Net current assets</b>		<b>164,787</b>	55,966
<b>Non-current liabilities</b>			
Lease liabilities	21	5,571	–
<b>Net assets</b>		<b>173,815</b>	58,829
<b>Equity</b>			
Share capital	22	4,058	398
Reserves		169,757	58,431
<b>Total equity</b>		<b>173,815</b>	58,829

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2019

	Share capital HK\$'000 (Note 22)	Share premium HK\$'000 (Note a)	Share Option reserve HK\$'000 (Note b)	Other reserve HK\$'000 (Note c)	Exchange reserve HK\$'000 (Note d)	Retained earnings HK\$'000	Total equity HK\$'000
At 1 April 2019 (Audited)	398	-	730	35,913	-	21,788	58,829
Profit for the period	-	-	-	-	-	5,542	5,542
Other comprehensive income:							
Exchange difference on translation of financial statements of foreign operations	-	-	-	-	2	-	2
Total comprehensive income for the period	-	-	-	-	2	5,542	5,544
Recognition of equity settled share-based payment (note 23)	-	-	2,733	-	-	-	2,733
Exercised of share options	58	4,345	(926)	-	-	-	3,477
Lapsed of share options	-	-	(7)	-	-	7	-
Dividend (note 10)	-	-	-	-	-	(6,000)	(6,000)
Arising on reorganisation	(398)	-	-	398	-	-	-
Capitalisation issue of shares	3,280	(3,280)	-	-	-	-	-
Issue of shares under public offer and placing	720	120,240	-	-	-	-	120,960
Share issue expenses	-	(11,728)	-	-	-	-	(11,728)
As at 30 September 2019 (Unaudited)	4,058	109,577	2,530	36,311	2	21,337	173,815

# Condensed Consolidated Statements of Changes in Equity (Continued)

For the six months ended 30 September 2019

	Share capital HK\$'000 (Note 22)	Other reserve HK\$'000 (Note c)	(Accumulated losses)/ retained earnings HK\$'000	Total equity HK\$'000
At 1 April 2018 (Audited)	8	31,292	(2,626)	28,674
Increase in share capital	390	–	–	390
Profit and total comprehensive income for the period	–	–	35,759	35,759
Dividend (note 10)	–	–	(24,600)	(24,600)
Arising on reorganisation	–	7	–	7
At 30 September 2018 (Unaudited)	398	31,299	8,533	40,230

Notes:

**(a) Share premium**

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares.

**(b) Share option reserve**

Cumulative expense recognised on the granting of share options to the Directors and the employees over the vesting periods.

**(c) Other reserve**

The other reserve of the Group represents the difference between the nominal value of the Company's shares issued pursuant to the reorganisation and the nominal value of the share capital of a subsidiary.

**(d) Exchange reserve**

The exchange reserve represents gains/losses arising on retranslating the net assets of foreign operations into presentation currency.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Net cash generated from operating activities</b>	<b>57,940</b>	29,595
<b>Cash flows from investing activities</b>		
Interest received	662	3
Increase in financial assets at fair value through profit or loss	(29,824)	–
Purchases of property, plant and equipment	(714)	(2,041)
<b>Net cash used in investing activities</b>	<b>(29,876)</b>	(2,038)
<b>Cash flows from financing activities</b>		
Interest paid	(160)	–
Payment of lease liabilities	(3,407)	–
Proceed from issue of redeemable shares	8,281	–
Dividend paid	(6,000)	(24,600)
Net proceeds from exercise of share options	3,477	–
Proceeds from issue of shares	120,960	390
Payment of new shares listing costs	(11,728)	–
<b>Net cash generated from financing activities</b>	<b>111,423</b>	(24,210)
<b>Net increase in cash and cash equivalents</b>	<b>139,487</b>	3,347
<b>Cash and cash equivalents at the beginning of the period</b>	<b>52,186</b>	35,688
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>2</b>	–
<b>Cash and cash equivalents at the end of the period</b>	<b>191,675</b>	39,035

# Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2019

## 1. GENERAL INFORMATION

LFG Investment Holdings Limited was incorporated as an exempted company with limited liability in the Cayman Islands on 21 June 2018 under the Companies Law, Cap.22 of the Cayman Islands. Its issued shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 September 2019 (the "Listing Date"). The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and its principal place of business in Hong Kong is located at Room 1601, 16th Floor, China Building, 29 Queen's Road Central, Hong Kong.

The Company is an investment holding company and, together with its subsidiaries, are principally engaged in corporate finance advisory services, securities and financing services and asset management services.

## 2. BASIS OF PREPARATION

### (a) Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). These condensed consolidated interim financial statements were authorised for issue on 21 November 2019.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2018/2019 annual consolidated financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 April 2019. This is the first set of the Group's consolidated financial statements in which Hong Kong Financial Reporting Standard 16 Leases ("HKFRS 16") has been adopted. Details of any changes in accounting policies are set out in note 3. Except for the adoption of HKFRS 16, the adoption of the new and revised HKFRSs have no material effect on these condensed consolidated interim financial statements. The Group has not early adopted any new and revised HKFRSs that has been issued but not yet effective in the current accounting period.

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars ("HK\$") which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in consolidated financial position and performance of the Group since the 2018/2019 annual consolidated financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the 2018/2019 annual consolidated financial statements.



## 2. BASIS OF PREPARATION *(Continued)*

### (a) Basis of preparation *(Continued)*

These condensed consolidated interim financial statements are unaudited, but has been reviewed by BDO 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.

### (b) Reorganisation

In connection with the listing of the shares on the Main Board of the Stock Exchange (the "Listing"), the Company underwent a reorganisation (the "Reorganisation") and has become the holding company of its subsidiaries now comprising the Group since 28 May 2019 by way of share swaps. The share swaps had no substance and did not form a business combination. Further details of the Reorganisation are set out in the section headed "History, Development and Reorganisation" in the prospectus of the Company dated 17 September 2019 (the "Prospectus").

Prior to and after the Reorganisation, the Group's business was carried out by Lego Financial Group Investment Holdings Limited ("Lego Investment Holdings") and its subsidiaries which were under control of and beneficially owned by Mr. Mui Ho Cheung Gary ("Mr. Mui"), Mr. Liu Chi Wai ("Mr. Liu"), Mr. Ng Siu Hin Stanley ("Mr. Ng"), Ms. Ho Sze Man Kristie ("Ms. Ho"), Ms. Lau Pui Yu ("Ms. Lau") and Lego Financial Group Limited, the ultimate controlling shareholders of the Group (the "Controlling Shareholders"). As part of the Reorganisation, the Company was incorporated and interspersed between Lego Investment Holdings and the Controlling Shareholders. Each of the Company and Lego Investment Holdings has not been involved in any businesses prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Group and has no substance and does not form a business combination.

Accordingly, the comparative information has been prepared and presented using the book values of Lego Investment Holdings.

The condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows of the Group for the six months ended 30 September 2019 and 2018 have been prepared using the financial statements of the entities now comprising the Group, as if the current group structure had been in existence throughout the comparative period, or since the respective dates of incorporation of the relevant entities now comprising the Group where this is a shorter period. All significant intra-group transactions and balances have been eliminated on consolidation.

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2019

## 3. CHANGES IN ACCOUNTING POLICIES

### (a) Adoption of new/amended HKFRSs — effective from 1 April 2019

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 19	Employee Benefits
Amendments to HKAS 28	Transfers of Investment Property
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 12, Income Taxes
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 23, Borrowing Costs

The impact of the adoption of HKFRS 16 have been summarised below. The other new or amended HKFRSs that are effective from 1 April 2019 did not have any significant impact on the Group's accounting policies.

### (b) HKFRS 16 Leases

#### (i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 "Leases" ("HKAS 17"), HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC)-Int 15 "Operating Leases — Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases of which the underlying assets are of low-value or are determined as short-term leases. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to sections (ii) and (iv) of this note.

The Group has applied HKFRS 16 using the modified retrospective approach of adoption with the initial application of 1 April 2019. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2019

## 3. CHANGES IN ACCOUNTING POLICIES (Continued)

### (b) HKFRS 16 Leases (Continued)

#### (i) Impact of the adoption of HKFRS 16 (Continued)

The following tables summarised the impact of transaction to HKFRS 16 on the condensed consolidated statement of financial position as of 1 April 2019 as follows:

<b>Consolidated statement of financial position as at 1 April 2019</b>	<b>HK\$'000 Increase</b>
Lease liabilities (non-current)	8,763
Lease liabilities (current)	6,115

The following reconciliation explains how the operating lease commitments disclosed under HKAS 17 as at 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the condensed consolidated statement of financial position as at 1 April 2019:

<b>Reconciliation of operating lease commitment to lease liabilities</b>	<b>HK\$'000</b>
Operating lease commitments as at 31 March 2019 (Audited)	16,302
Discounted using the lessee's incremental borrowing rate as at the date of initial application	(1,424)
Lease liabilities as at 1 April 2019 (Unaudited)	14,878

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognised in the condensed consolidated statement of financial position as at 1 April 2019 is 5%.

#### (ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2019

## 3. CHANGES IN ACCOUNTING POLICIES (Continued)

### (b) HKFRS 16 Leases (Continued)

#### (iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases; and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has leased photocopying machines) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

#### *Right-of-use asset*

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

#### *Lease liability*

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

## 3. CHANGES IN ACCOUNTING POLICIES (Continued)

### (b) HKFRS 16 Leases (Continued)

#### (iii) Accounting as a lessee (Continued)

##### *Lease liability (Continued)*

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g. a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

#### (iv) Transition

As mentioned above, the Group has applied HKFRS 16 by using the modified retrospective method and recognised the right-of-use asset at the amount equal to the lease liabilities, adjusted by amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated statement of financial position immediately before 1 April 2019. There were no onerous lease contracts that would have required significant judgement. The comparative information presented in 2018/2019 annual consolidated financial statements has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases under HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

The Group has elected to recognise all the right-of-use assets as at 1 April 2019 and measures them at an amount equal to the lease liabilities, and adjusted by amount of any prepaid or accrued lease payments. For all these right-of-use assets, the Group has applied HKAS 36 "Impairment of Assets" at 1 April 2019 to assess if there was any impairment as at that date.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months from the date of initial application (1 April 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 April 2019; and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases under HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease"; and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2019

## 4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2018/2019 annual consolidated financial statements, except for new significant judgements related to the application of HKFRS 16 as described in note 3(b).

## 5. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable by the Group from external customers.

Information reported to the executive directors, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on revenue for each type of services provided. The CODM considers the business from service perspectives whereby assesses the performance of the services based on revenue generated in the course of the ordinary activities of a recurring nature of the Group.

The CODM considers the businesses of the Group as a whole as the Group is engaged in corporate finance advisory services. Therefore the management of the Group considers that the Group only has one single operating segment. As no discrete financial information is available for identifying operating segments among different services, no further analysis of segment information is presented.

### (a) Nature of services

Services	Nature, timing of satisfaction of performance obligation and significant payment terms
(A) Corporate finance advisory services	<p>Acting as a sponsor to companies seeking to list in Hong Kong advising and guiding them and their directors throughout the listing process. Sponsor fee income are recognised over time during the initial public offering ("IPO") process;</p> <p>Acting as a financial adviser to listed companies in Hong Kong as well as their shareholders and investors advising them on transactions involving, among others, the Listing Rules, GEM Listing Rules or Takeovers Code. Financial advisory fee income are recognised over time during the service period;</p> <p>Acting as an independent financial adviser to independent board committees and/or independent shareholders of listed companies in Hong Kong rendering recommendations and opinions. Independent financial advisory fee income are recognised over time during the service period; and</p> <p>Acting as a compliance adviser to listed companies in Hong Kong advising them on post-listing matter. Compliance consultancy services are recognised over time during the compliance service period.</p>

## 5. REVENUE AND SEGMENT INFORMATION *(Continued)*

### (a) Nature of services *(Continued)*

Services	Nature, timing of satisfaction of performance obligation and significant payment terms
(B) Securities and financing services	
(i) Placing and underwriting services	Acting as a global coordinator, a bookrunner, a lead manager or an underwriter for listing applicants in IPOs and acting as an underwriter or a placing agent for secondary market transactions. Income is billed while the services are performed.
(ii) Securities dealing and brokerage services	Providing (i) securities dealing and brokerage services for trading in securities on the Stock Exchange and other overseas exchanges; and (ii) other services including script handling and settlement services, account maintenance services and nominee, corporate action, investor relations and related services. Commission income is recognised as income on a trade date basis when the services are rendered. Service fee is billed while the services are performed.
(iii) Securities financing services	Providing margin financing for securities purchases on the secondary market and IPO financing for new share subscriptions in IPOs. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.
(C) Asset management services	Providing investment advisory and asset management services. The asset management income is charged at a fixed percentage per annum of the asset value of the funds under management of the Group. The Group is also entitled to a performance fee for certain accounts when pre-set performance target for the relevant performance period is met. The performance fee is recognised when it is highly probable that a significant reversal in the revenue recognised will not occur when the performance target is evaluated on an annual basis for each of the account.





# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2019

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### (c) Contract balances

The following table provides information about accounts receivable and contract liabilities from contracts with customers at the end of the period/year:

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Accounts receivable (note 14)	<b>41,345</b>	22,324
Deferred revenue	<b>8,307</b>	9,255

Sponsor fee income is generally paid in advance prior to the beginning of each project and is initially recorded as deferred revenue in the condensed consolidated statement of financial position. The portion of income received from the clients but not yet earned is recorded as deferred revenue in the condensed consolidated statement of financial position and will be reflected as a current liability if such amount represents revenue that the Group expects to recognise within one year from each reporting date.

The deferred revenue mainly relates to the advance consideration received from customers. Approximately HK\$5,353,000 and HK\$3,910,000 of deferred revenue as of 1 April 2019 and 2018 has been recognised as revenue for the period/year ended 30 September 2019 and 31 March 2019 from performance obligations satisfied in previous period due to changes in timing of revenue recognition.

### (d) Transaction price allocated to the remaining performance obligations

As at 30 September 2019 and 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts were approximately HK\$85,110,000 and HK\$76,612,000 respectively. This amount represents revenue expected to be recognised in the future from partially-completed long-term service contracts. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur in the next 12 to 36 months.

### Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered and the Group's non-current assets (excluding financial assets) are all located in Hong Kong.

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2019

## 5. REVENUE AND SEGMENT INFORMATION *(Continued)*

### (d) Transaction price allocated to the remaining performance obligations *(Continued)*

#### Information about major customers

During the period, revenue from major customer who contributed over 10% of the total revenue of the Group are as follows:

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Customer A	–	16,560
Customer B	–	15,009
Customer C	<b>8,135</b>	–

## 6. OTHER INCOME AND GAINS OR LOSSES

The Group's other income and gains or losses recognised during the period are as follows:

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest income	<b>662</b>	3
Fair value at financial assets through profit or loss	<b>(875)</b>	–
Other income	<b>51</b>	52
Dividend income	<b>803</b>	–
	<b>641</b>	55

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2019

## 7. FINANCE COSTS

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest on margin financing	160	–
Interest on lease liabilities	394	–
	<b>554</b>	–

## 8. PROFIT BEFORE INCOME TAX EXPENSES

The Group's profit before income tax expenses is arrived at after charging:

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Auditor's remuneration	150	–
Depreciation		
— Property, plant and equipment	676	730
— Right-of-use asset	3,180	–
Listing expenses	8,011	–
Expected credit loss on accounts receivable	216	91
Rental expenses in respect of rental premises	–	2,750
Director's emoluments	5,388	3,968
Staff cost (excluding director's emoluments):		
Salaries, allowances and other benefits	16,943	12,129
Equity settled share-based payment expenses	1,899	–
Contributions to retirement benefits schemes	339	244
Total staff costs	<b>24,569</b>	16,341

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2019

## 9. INCOME TAX EXPENSES

Hong Kong profits tax was provided at a rate of 16.5% on the estimated assessable profits for the six months ended 30 September 2019 and 2018.

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current tax — Hong Kong profits tax		
— Charge for the period	4,125	7,148
— Under-provision in respect of prior period	7	93
Income tax expenses	4,132	7,241

## 10. DIVIDEND

For the six months ended 30 September 2019 and 2018, dividends of HK\$6,000,000 and HK\$24,600,000 were declared and paid to the then shareholders respectively, which was in compliance with the applicable laws.

Subsequent to 30 September 2019, the board of directors of the Company has resolved to declare an interim dividend of HK\$0.025 per share totalling not less than HK\$10,147,000 for the six months ended 30 September 2019.

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2019

## 11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	<b>Six months ended 30 September</b>	
	<b>2019 HK\$'000 (Unaudited)</b>	2018 HK\$'000 (Unaudited)
Earnings for the purposes of basic and diluted earnings per share	<b>5,542</b>	35,759

	<b>Six months ended 30 September</b>	
	<b>2019 (Unaudited)</b>	2018 (Unaudited)
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>328,425,104</b>	328,000,000
Effect of dilutive potential ordinary shares:		
— Share options	<b>146,997</b>	—
Weighted average number of ordinary shares of the purpose of diluted earnings per share	<b>328,572,101</b>	328,000,000

Notes:

- (i) For the six months ended 30 September 2019, the calculation of basic earnings per share is based on the earnings attributable to the owners of the Company of HK\$5,542,000 and on the basis of the weighted average number of 328,425,104 ordinary shares in issue upon the subsequent listing of the Company's shares on 30 September 2019.

For the six months ended 30 September 2018, the calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$35,759,000 and on the basis of 328,000,000 shares of the Company in issue, which represents the number of shares of the Company immediately after the Reorganisation and the capitalisation issue (note 22(d)) as if these shares issued under the Reorganisation had been issued on 1 April 2019 but excluding any shares issued pursuant to the share offer (note 22(e)).

- (ii) The Company's share options outstanding as at 30 September 2019 gave rise to dilution effect to the earnings per share because the exercise price of the Company's share options outstanding during the six months ended 30 September 2019 were lower than the market price of the Company's shares on the Listing Date.

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2019

## 12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Computer and equipment HK\$'000	Office furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost:</b>					
As at 1 April 2018	2,111	1,565	198	1,082	4,956
Additions	1,551	443	129	–	2,123
Disposal	–	(17)	(1)	(1,082)	(1,100)
<hr/>					
As at 31 March 2019 and 1 April 2019	3,662	1,991	326	–	5,979
Additions	–	14	–	700	714
Disposal	–	(8)	–	–	(8)
<hr/>					
As at 30 September 2019 (Unaudited)	3,662	1,997	326	700	6,685
<hr/>					
<b>Accumulated depreciation:</b>					
As at 1 April 2018	1,720	709	108	433	2,970
Provided for the period	716	512	68	162	1,458
Disposal	–	(12)	–	(595)	(607)
<hr/>					
As at 31 March 2019 and 1 April 2019	2,436	1,209	176	–	3,821
Provided for the period	348	269	36	23	676
Disposal	–	(8)	–	–	(8)
<hr/>					
As at 30 September 2019 (Unaudited)	2,784	1,470	212	23	4,489
<hr/>					
<b>Net carrying amount:</b>					
As at 30 September 2019 (Unaudited)	878	527	114	677	2,196
<hr/>					
As at 31 March 2019 (Audited)	1,226	782	150	–	2,158

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2019

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

Financial assets at fair value through profit or loss as at 30 September 2019 and 31 March 2019 represented the equity securities and bonds listed in Hong Kong and the United States. Fair value of the listed equity securities and bonds has been determined by reference to their quoted bid prices at the reporting date in active market.

## 14. ACCOUNTS RECEIVABLE

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Accounts receivable arising from		
— Corporate finance advisory services	<b>26,657</b>	20,388
— Securities dealing and brokerage services		
— Clearing house ( <i>note i</i> )	—	24
— Others	<b>4,948</b>	198
— Securities financing services		
— Margin financing ( <i>note ii</i> )	<b>9,740</b>	1,714
	<b>41,345</b>	22,324

Notes:

- (i) The settlement terms of accounts receivable from clearing house arising from the ordinary course of business of securities dealing and brokerage services are two days after the trade date. The balance is neither past due nor impaired.
- (ii) The credit facility limits for margin clients are determined by the discounted market value of the collateral securities accepted by the Group. Based on the agreement terms with margin clients, the Group is able to repledge clients' securities for margin financing arrangements with qualified financial institutions. The fair values of these listed securities as at 30 September 2019 and 31 March 2019 were approximately HK\$197,220,000 and HK\$2,955,000 respectively.

No ageing analysis is disclosed as in the opinion of the Directors, an ageing analysis does not give additional value to the users of this report in view of the nature of business of securities margin financing.

The Group evaluates the collectability of loans based on management's judgement regarding the change in credit quality, collateral value and the past collection history of each client. The concentration of credit risk is limited due to the customer base being large and diversified.

The Group has no credit terms for its customers.

## Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2019

### 14. ACCOUNTS RECEIVABLE (Continued)

In respect of the accounts receivable, except for the accounts receivable arising from securities dealing and brokerage services and securities financing services — clearing house, the ageing analysis based on invoice date (net of impairment loss) at the end of each period is as follows:

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Less than 30 days	<b>14,763</b>	12,396
31–90 days	<b>4,502</b>	4,475
91–365 days	<b>12,340</b>	3,579
Over 365 days	<b>–</b>	136
	<b>31,605</b>	20,586

Movements in the provision for impairment of accounts receivable are as follows:

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Opening balance	<b>115</b>	22
Impairment losses recognised	<b>216</b>	93
Closing balance	<b>331</b>	115

### 15. OTHER RECEIVABLES

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Deposits	<b>1,909</b>	1,909
Prepayments	<b>1,107</b>	745
	<b>3,016</b>	2,654

### 16. CASH AND CASH EQUIVALENTS — HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated clients' accounts with a recognised institution to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as cash and cash equivalents — held on behalf of customers under the current assets section of the combined statements of financial position and recognised the corresponding accounts payable (note 18) to respective clients as it is liable for any loss or misappropriation of clients' monies. The segregated clients account balances are restricted and governed by the Hong Kong Securities and Futures (Client Money) Rules under the Hong Kong Securities and Futures Ordinance.



# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2019

## 17. CASH AND CASH EQUIVALENTS

The balances carry interest at prevailing rates which were ranging from approximately 0.01% to 0.35% per annum as at 30 September 2019 and 31 March 2019.

## 18. ACCOUNTS PAYABLE

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Accounts payable arising from: the ordinary course of business of securities dealing and brokerage services (notes i, ii)		
— Cash clients	<b>46,883</b>	7,441
— Margin clients	<b>16,028</b>	12,543
— Placing and underwriting services (note iii)	<b>43,200</b>	–
Advances from margin financing (notes ii, iv)	<b>9,644</b>	–
	<b>115,755</b>	19,984

Notes:

- (i) The settlement terms of accounts payable attributable to dealing in securities are two days after the trade date.
- (ii) No ageing analysis is disclosed as, in the opinion of the Directors, an ageing analysis is not meaningful in view of the business nature of securities dealing and brokerage services.
- (iii) Accounts payable from placing and underwriting services are repayable on demand.
- (iv) Advances from margin financing are secured by monies or securities of the Group which are now or which shall at any time hereafter be deposited with, transferred to or held by the brokers for the Group's obligations under the relevant agreements.

## 19. ACCRUALS AND OTHER PAYABLES

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Accrued expenses	<b>13,637</b>	8,243
Other payables	<b>271</b>	41
	<b>13,908</b>	8,284

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2019

## 20. OTHER FINANCIAL LIABILITIES

Lego Funds SPC Limited was incorporated in the Cayman Islands under the Companies Law as a segregated portfolio company with limited liability on 14 February 2019.

As at 30 September 2019, subscription agreements in respect of 15,000 shares, 12,116 shares and 9,584 shares in Lego Vision Fund SP Class A had been entered into by Lego Investment Holdings, Ms. Poh Lai Yoke (“Ms. Poh”) and other parties respectively, which represent approximately 41%, 33% and 26% of issued participating shares at a consideration of approximately US\$1.50 million, US\$1.21 million and US\$0.93 million, respectively.

On 27 and 29 March 2019, subscription agreements in respect of 15,000 shares and 10,802 shares in Lego Vision Fund SP Class A were entered into by Lego Investment Holdings and Ms. Poh respectively, which represent approximately 58% and 42% of issued participating shares at a consideration of approximately US\$1.5 million and US\$1.08 million, respectively.

Other financial liabilities are measured at amortised cost which represent 12,116 shares and 9,584 shares (31 March 2019: 10,802 shares and nil) in Class A of Lego Vision Fund SP subscribed by Ms. Poh and other parties on 30 September 2019 and with subscription amount of approximately US\$2.14 million (equivalent to approximately HK\$16,707,000) (31 March 2019: approximately US\$1.08 million (equivalent to approximately HK\$8,426,000)) as these financial liabilities do not meet the definition of financial liabilities at fair value under HKFRS 9 “Financial Instruments” since they are neither derivatives or financial liabilities held for trading nor designated under fair value option.

## 21. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### (i) Right-of-use assets

Upon adoption of HKFRS 16, on 1 April 2019, the Group recognised right-of-use assets of approximately HK\$14,878,000 in respect of the leased property. As at 30 September 2019, the carrying amounts of right-of-use assets were approximately HK\$11,698,000 in respect of the leased property.

### (ii) Lease liabilities

Upon adoption of HKFRS 16, on 1 April 2019, the Group recognised total lease liabilities of approximately HK\$14,878,000. As at 30 September 2019, the carrying amount of total lease liabilities was approximately HK\$11,865,000.

### (iii) Amounts recognised in profit or loss

	<b>30 September 2019 HK\$'000 (Unaudited)</b>
Depreciation of right-of-use assets	<b>3,180</b>
Interest elements of lease rentals paid	<b>394</b>
	<b>3,574</b>

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2019

## 22. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each		
Upon incorporation (note (a))	38,000,000	380
Increase of authorised share (note (b))	9,962,000,000	99,620
As at 30 September 2019	10,000,000,000	100,000
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.01 each		
Upon incorporation (note (a))	–	–*
Allotment of shares under reorganisation (note (c))	2,048	–*
Capitalisation issue of shares (note (d))	327,997,952	3,280
Issue of shares under share offer (note (e))	72,000,000	720
Exercise of share options (note (g))	5,794,080	58
As at 30 September 2019	405,794,080	4,058

\* The balance represents an amount less than HK\$1,000.

Note (a): The Company was incorporated in Cayman Islands on 21 June 2018 with an authorised share capital of US\$50,000 divided into 50,000 shares of par value of US\$1 each. One ordinary share was issued and allotted upon incorporation.

On 21 December 2018, the authorised share capital of the Company was increased by HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. Thereafter, 780 shares ordinary shares were issued and allotted. The Company then repurchased the initial share and subsequently cancelled the initial share and all 50,000 unissued shares of US\$1 each in the capital of the Company.

Note (b): On 10 September 2019, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$100,000,000 divided into 10,000,000,000 shares of par value of HK\$0.01 each by the creation of an additional of 9,962,000,000 shares.

Note (c): Under the Reorganisation, Mr. Mui transferred his entire shareholding interest in the Company to Lego Financial Group Limited at a consideration of HK\$7.8, which was determined with reference to the par value of the shares. Lego Financial Group Limited and other shareholders transferred their respective 935 shares and an aggregate of 89 shares in Lego Investment Holdings to the Company in consideration of the Company allotting and issuing 1,090 shares to Lego Financial Group Limited and an aggregate of 178 shares to other shareholders.

Note (d): The Directors were authorised to capitalise an amount of HK\$3,279,979.52 from the share premium account of the Company by applying such sum towards the paying up in full at par a total of 327,997,952 ordinary shares for the allotment of shares to existing shareholders.

Note (e): Under a share offer took place during the Period, 72,000,000 new ordinary shares of HK\$0.01 each were issued at a price of HK\$1.68 per share for a total consideration (before share issue expenses) of HK\$120,960,000.

Note (f): Before completion of the Reorganisation, the share capital balance in the consolidated statement of financial position as at 31 March 2019 represented the combined share capital of the entities now comprising the Group.

Note (g): During the six months ended 30 September 2019, the share options were exercised to subscribe for 5,794,080 ordinary shares of the Company at a cash consideration, before expenses, of approximately HK\$3,476,000, of which approximately HK\$58,000 was credited to share capital and the balance of approximately HK\$926,000 was transferred from the share options reserve to the share premium account upon the exercise of the share options.

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2019

## 23. SHARE-BASED PAYMENT TRANSACTIONS

The Group operates a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") in order to motivate and retain key staff of the Group for the operation and development of the Group. Eligible participants of the Pre-IPO Share Option Scheme include the Directors and other employees. The Pre-IPO Share Option Scheme became effective on 6 March 2019 and, unless otherwise cancelled or amended, will remain in force until 6 March 2027, being the eighth anniversary of the date of adoption of the Pre-IPO Share Option Scheme.

On 6 March 2019, the Group conditionally granted options to 44 grantees to subscribe for an aggregate of 33,041,054 shares under the Pre-IPO Share Option Scheme for a consideration of HK\$1 per grant. The grantees include (i) 8 connected grantees; (ii) 2 senior management; and (iii) 34 other employees of the Group. The options granted under the Pre-IPO Share Option Scheme shall vest in three years starting from the Listing Date.

The estimated fair value of the options granted on the grant date is approximately HK\$9,037,000. During the six months ended 30 September 2019, the Group recognised the total expense of approximately HK\$2,733,000 in relation to share options granted.

The fair value was calculated using the Binomial model. The inputs into the model were as follow:

Share options granted on 6 March 2019:

Risk-free Rate (Continuous rate)	1.69%
Share Value as at the Appraisal Date	HK\$0.46 per share
Exercise Price	HK\$0.60 per share
Expected Tenor	8 years
Volatility	60.84%

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in the computing the fair value of the share options is based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The valuation has been performed by Hong Kong Appraisal Advisory Limited, who is independent to the Group.

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2019

## 23. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table discloses movements of the Group's shares option held by the grantees:

Name and category of participant	Outstanding as at 1 April 2019	Granted during the six months ended 30 September 2019	Exercise during the six months ended 30 September 2019	Lapsed during the six months ended 30 September 2019	Cancelled during the six months ended 30 September 2019	Outstanding as at 30 September 2019
Directors						
Mr. Mui	4,763,452	-	-	-	-	4,763,452
Mr. Liu	1,732,165	-	-	-	-	1,732,165
Mr. Ng	1,732,165	-	-	-	-	1,732,165
Ms. Ho	1,732,165	-	-	-	-	1,732,165
	9,959,947	-	-	-	-	9,959,947
Employees	23,081,107	-	(5,794,080)	(346,433)	-	16,940,594
	33,041,054	-	(5,794,080)	(346,433)	-	26,900,541
Name and category of participant	Outstanding as at 1 April 2018	Granted during the year ended 31 March 2019	Exercise during the year ended 31 March 2019	Lapsed during the year ended 31 March 2019	Cancelled during the year ended 31 March 2019	Outstanding as at 31 March 2019
Directors						
Mr. Mui	-	4,763,452	-	-	-	4,763,452
Mr. Liu	-	1,732,165	-	-	-	1,732,165
Mr. Ng	-	1,732,165	-	-	-	1,732,165
Ms. Ho	-	1,732,165	-	-	-	1,732,165
	-	9,959,947	-	-	-	9,959,947
Employees	-	23,081,107	-	-	-	23,081,107
	-	33,041,054	-	-	-	33,041,054

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2019

## 24. COMMITMENTS

### (a) Operating lease commitment

At 31 March 2019, the total future minimum lease payments under non-cancellable operating leases in respect of rental premises were payable as follows::

	31 March 2019 HK\$'000 (Audited)
Within one year	6,909
One to two years	6,909
More than two years	2,484
	<hr/> 16,302

The Group is the lessee in respect of a number of properties which were previously classified as operating leases under HKAS 17. The Group has elected to recognise all the right-of-use assets and measure them at an amount equal to the lease liabilities. Under this approach, the Group has not adjusted the opening balances at 1 April 2019. From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the condensed consolidated statement of financial position in accordance with the policies set out in note 3.

### (b) Underwriting commitment

At the end of the reporting period, the Group had underwriting commitment as follows:

	<b>Six months ended 30 September</b>	
	<b>2019 HK\$'000 (Unaudited)</b>	2018 HK\$'000 (Unaudited)
Underwriting commitment for IPO	<b>900</b>	–

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2019

## 25. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this report, the Group also had the following related party transactions during the period.

### (a) Compensation of key management personnel

The remuneration of key management personnel of the Group, being the executive Directors during the period are as follow:

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Salaries, allowance and other benefits	4,517	3,932
Equity settled share-based payment expenses	835	–
Contributions to retirement benefits scheme	36	36
	<b>5,588</b>	3,968

### (b) Related party transactions

Name of related parties	Nature of transaction	Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Mr. Mui Ho Cheung, Gary (note ii)	Brokerage income	4	10
Mr. Choy Kwong Wa Christopher and Ms. Poh (note i)	Brokerage income	1	4
Ms. Poh (note i)	Subscription of redeemable shares	1,047	–
Lego Finance Limited (note iii)	Sublease income	30	–
Lego China Special Opportunities Fund SP (note iv)	Brokerage income	10	–
Bountiful Sky Limited (note ii)	Sale of asset	–	50
		<b>1,092</b>	64

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2019

## 25. RELATED PARTY TRANSACTIONS (Continued)

### (b) Related party transactions (Continued)

Notes:

- (i) Ms. Poh is the spouse of one of the senior management, Mr. Choy Kwong Wa, Christopher.
- (ii) Mr. Mui, an executive Director is the sole shareholder of Bountiful Sky Limited.
- (iii) Lego Finance Limited is a wholly-owned subsidiary of Lego Financial Group Limited.
- (iv) Lego China Special Opportunities Fund SP is a fund under management of the Group, and thus a related party of the Company.
- (v) The above transaction with the related parties were negotiated and carried out in the ordinary course of business and at terms agreed between the Group and the related parties.

## 26. FINANCIAL INSTRUMENTS

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
<b>Financial assets measured at amortised cost</b>		
Accounts receivable	<b>41,345</b>	22,324
Deposits	<b>1,909</b>	2,114
Amount due from a related party	<b>608</b>	–
Cash and cash equivalent — held on behalf of customers	<b>57,567</b>	18,901
Cash and cash equivalent	<b>191,675</b>	52,186
	<b>293,104</b>	95,525
Financial assets at fair value through profit or loss	<b>37,624</b>	7,800
	<b>330,728</b>	103,325
	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
<b>Financial liabilities measured at amortised cost</b>		
Accounts payable	<b>115,755</b>	19,984
Accruals and other payables	<b>13,908</b>	8,284
Other lease liabilities	<b>16,707</b>	8,426
	<b>146,370</b>	36,694

Management has assessed that the fair values of the above financial assets and liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments or that interests thereon are based on market rates.



## 27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

### (a) Financial instruments not measured at fair value

As at 30 September 2019 and 31 March 2019, the fair values of the Group's financial assets and financial liabilities approximated to their respective carrying amounts.

The fair values of the financial assets and liabilities are the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values of cash and cash equivalents, accounts receivable, other receivables and deposits, accounts payable, accruals and other payables approximate to their respective carrying amounts largely due to the short term maturities of these instruments.

### (b) Financial instruments measured at fair value

The hierarchy groups financial assets and financial liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and financial liabilities. The fair value hierarchy has the following levels:

Level 1: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2: Fair value measured based on valuation techniques using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs; or

Level 3: Fair value measured based on valuation techniques using significant unobservable inputs (i.e. not derived from market data).

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2019

## 27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

### (b) Financial instruments measured at fair value (Continued)

The financial assets and financial liabilities measured at fair value in the condensed consolidated statements of financial position are grouped into the fair value hierarchy as follows:

#### Assets measured at fair value

	Fair value measurement using			Total HK\$'000
	Quoted price in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
As at 30 September 2019 (Unaudited)				
Financial assets at fair value through profit or loss:				
— Listed equity securities	25,555	—	—	25,555
— Listed bond securities	12,069	—	—	12,069
	<b>37,624</b>	—	—	<b>37,624</b>

	Fair value measurement using			Total HK\$'000
	Quoted price in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
As at 31 March 2019 (Audited)				
Financial assets at fair value through profit or loss:				
— Listed equity securities	3,109	—	—	3,109
— Listed bond securities	4,691	—	—	4,691
	7,800	—	—	7,800

The level in the fair value hierarchy within which the financial assets are categorised in its entirety is based on the lowest level that is significant to the fair value measurement.

For the six months ended 30 September 2019 and the year ended 31 March 2019, there were no transfers of fair value measurements between level 1 and Level 2 and no transfers into or out of Level 1.

## 28. EVENT AFTER THE REPORTING PERIOD

Subsequent to 30 September 2019, the board of directors of the Company has resolved to declare an interim dividend of HK\$0.025 per share totalling not less than HK\$10,147,000 for the six months ended 30 September 2019.