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LFG Investment Holdings Limited

LFG 投資控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3938)

**ANNOUNCEMENT OF INTERIM RESULTS FOR
THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

The board (the “Board”) of directors (the “Directors”) of LFG Investment Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2020 (the “Period”), together with comparative figures for the six months ended 30 September 2019, as follows:

FINANCIAL SUMMARY

- The Group’s total revenue decreased by approximately 19.6% to approximately HK\$41.5 million for the Period from approximately HK\$51.6 million for the six months ended 30 September 2019.
- Revenue generated from corporate finance advisory services for the Period amounted to approximately HK\$20.5 million (2019: approximately HK\$43.2 million), accounting for approximately 49.4% of the Group’s total revenue (2019: approximately 83.6%).
- Revenue generated from securities and underwriting services for the Period amounted to approximately HK\$17.3 million (2019: approximately HK\$8.4 million), accounting for approximately 41.7% of the Group’s total revenue (2019: approximately 16.2%).
- For the Period, the Group recorded profit after income tax of approximately HK\$12.2 million (2019: approximately HK\$5.5 million).
- For the Period, the Group recorded basic earnings per share of approximately 3.0 HK cents (2019: approximately 1.7 HK cents) and diluted earnings per share of approximately 2.9 HK cents (2019: approximately 1.7 HK cents).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OF LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended 30 September	
	Notes	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	6		
Corporate finance advisory services		20,517	43,160
Securities and underwriting services		17,312	8,350
Interest income from margin financing services		3,642	117
Asset management services		30	20
Total revenue		41,501	51,647
Other income and gains or losses, net	7	12,543	641
Staff costs		(25,117)	(24,569)
Administrative and other expenses		(10,940)	(17,275)
Expected credit loss on accounts receivable		(3,378)	(216)
Finance costs	8	(332)	(554)
Profit before income tax expenses	9	14,277	9,674
Income tax expenses	10	(2,118)	(4,132)
Profit for the period		12,159	5,542
Other comprehensive income for the period:			
Item that may be reclassified subsequently to profit or loss:			
— Exchange difference on translation of financial statements of foreign operations		—	2
Item that may not be reclassified subsequently to profit or loss:			
— Net change in financial assets at fair value through other comprehensive income		31	—
Other comprehensive income for the period		31	2
Total comprehensive income for the period		12,190	5,544

		Six months ended	
		30 September	
		2020	2019
<i>Notes</i>		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
	Owners of the Company	12,309	5,542
	Non-controlling interests	(150)	–
		<u>12,159</u>	<u>5,542</u>
Total comprehensive income for the period attributable to:			
	Owners of the Company	12,340	5,544
	Non-controlling interests	(150)	–
		<u>12,190</u>	<u>5,544</u>
Earnings per share from profit for the period attributable to owners of the Company:			
	Basic	<u>3.0 HK cents</u>	<u>1.7 HK cents</u>
	Diluted	<u>2.9 HK cents</u>	<u>1.7 HK cents</u>

12

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		30 September 2020 Notes HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		1,094	1,511
Intangible asset		500	500
Deposits paid		2,113	1,231
Right-of-use assets		5,338	8,518
Financial assets at fair value through other comprehensive income		571	—
		<u>9,616</u>	<u>11,760</u>
Current assets			
Financial assets at fair value through profit or loss		84,408	50,721
Accounts receivable	13	125,954	132,923
Other receivables, deposits and prepayments		2,267	1,692
Cash and bank balances — held on behalf of customers		43,290	22,624
Cash and bank balances		33,022	127,861
		<u>288,941</u>	<u>335,821</u>
Current liabilities			
Accounts payable	14	77,204	43,796
Accruals and other payables		6,324	86,630
Other financial liabilities		29,292	18,716
Lease liabilities		5,107	6,478
Convertible bonds		1,170	—
Deferred revenue	6	8,607	8,509
Tax payables		695	6,534
		<u>128,399</u>	<u>170,663</u>
Net current assets		<u>160,542</u>	<u>165,158</u>
Total assets less current liabilities		<u>170,158</u>	<u>176,918</u>
Non-current liabilities			
Lease liabilities		463	2,285
Net assets		<u>169,695</u>	<u>174,633</u>

		30 September 2020	31 March 2020
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Equity			
Share capital	15	4,060	4,060
Share premium		110,371	110,371
Reserves		53,868	60,202
		<hr/>	<hr/>
Equity attributable to owners of the Company		168,299	174,633
Non-controlling interests		1,396	–
		<hr/>	<hr/>
Total equity		169,695	174,633
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1. GENERAL INFORMATION

LFG Investment Holdings Limited (the “Company”) is an exempted company with limited liability incorporated in the Cayman Islands. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. 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 underwriting services, securities financing services and asset management services.

2. 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 25 November 2020.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2019/2020 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 2020.

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 5.

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, unless 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 financial position and performance of the Group since the 2019/2020 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 Hong Kong Financial Reporting Standards (the “HKFRSs”) and should be read in conjunction with the 2019/2020 annual consolidated financial statements.

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.

3. SIGNIFICANT EVENTS

The World Health Organisation declared COVID-19 a global health pandemic on 11 March 2020. Since then, the Group has experienced adverse impact to its operations in the following respects:

- Decreased demand for certain corporate finance advisory services;
- Slow down in expansion of the amount of assets under management of the asset management services; and
- Significant uncertainty concerning when government lockdowns will be lifted, social distancing requirements and travel restrictions will be eased and the long-term effects of the pandemic on the demand for the Group's financial services in Hong Kong.

The significant events and transactions that have occurred since 31 March 2020 relate to the effects of the global pandemic on the Group's condensed consolidated interim financial statements for the six months ended 30 September 2020 and are summarised as follows.

(a) Decrease in revenue from corporate finance advisory services

As disclosed in note 6, most revenue streams of the corporate finance advisory services have experienced reductions since the pandemic's effects became widespread.

(b) Government grants

The Group applied for various government support programs introduced in response to the global pandemic.

Included in profit or loss is approximately HK\$1,795,000 of government grants obtained relating to supporting the payroll of the Group's employees. The Group has elected to present this government grant by reducing the related expense. The Group had to commit to spending the assistance on payroll expenses, and not deliberately reduce employee head count below prescribed levels for a specified period of time. The Group does not have any unfulfilled obligations relating to this program.

(c) Expected credit losses

The Group makes estimates of expected credit losses attributable to accounts receivable, including the incorporation of forward-looking information to supplement historical credit loss rates.

The economic downturn and uncertainties that have arisen as a result of COVID-19 have made these estimates more judgemental, which the Group has taken into account in its determination of applicable expected credit losses.

4. CHANGES IN ACCOUNTING POLICIES

The Group has applied the same accounting policies in these condensed consolidated interim financial statements as in its 2019/2020 annual consolidated financial statements, except that it has adopted the following amendments to HKFRSs:

- Amendments to HKFRS 3: Definition of a Business, which is first effective for the current accounting period

Amendments to HKFRS 3: Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

5. USE OF JUDGEMENTS AND ESTIMATES

In preparing this 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 2019/2020 annual consolidated financial statements.

However, as disclosed in note 3, the effects of COVID-19 have required significant judgments and estimates to be made, including:

- (a) Assessing whether the entity has reasonable assurance as to whether it will comply with the conditions attached to government grants;
- (b) Calculating the recoverable amount for cash generating units that exhibit indicators of impairment as at the period end, and determining the amount of impairment attributable to the cash generating units; and
- (c) Determining which information obtained subsequent to period end provides evidence of conditions that existed as at the end of the reporting period ('adjusting events after the reporting period') and which do not ('non-adjusting events after the reporting period').

6. 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 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
(i) 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 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 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 fee income are recognised over time during the service period.</p>

Services	Nature, timing of satisfaction of performance obligation and significant payment terms
(ii) Securities and underwriting services	
(1) 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 recognised at point in time and billed while the services are performed.
(2) Securities dealing and brokerage services	Providing (i) securities dealing and brokerage services for trading in securities on the Stock Exchange (including equities, exchange traded products, derivative warrants, callable bull/bear contracts, real estate investment trusts and debt securities) and securities on the major exchanges in the United States; (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.
(3) 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.
(iii) 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.

(b) Disaggregation of revenue from contracts with customers

The Group's revenue recognised during the period is as follows:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
By major service type:		
Corporate finance advisory services		
Sponsor fee income	7,468	15,848
Advisory fee income		
— financial and independent financial advisory	9,253	23,012
— compliance advisory	3,796	4,300
	20,517	43,160
Securities and underwriting services	17,312	8,350
Interest income from margin financing services	3,642	117
Asset management services	30	20
Total	41,501	51,647

Revenue from contracts with customers:

Corporate finance advisory services	20,517	43,160
Securities and underwriting services	17,312	8,350
Asset management services	30	20
	37,859	51,530

Revenue from other sources:

Interest income from margin financing services	3,642	117
	41,501	51,647

Six months ended 30 September	
2020	2019
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Timing of revenue recognition from contracts with customers:

Services transferred at a point in time	17,312	8,350
Services transferred over time	20,547	43,180
	37,859	51,530

- (c) The following table provides information about accounts receivable and contract liabilities at the end of the period/year:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Accounts receivable (<i>note 13</i>)	125,954	132,923
Deferred revenue	8,607	8,509

Movements in deferred revenue:

Balance at the beginning of the period/year	8,509	9,255
Decrease in deferred revenue as a result of recognising revenue during the period/year that was included in the deferred revenue at the beginning of the period/year	(2,687)	(7,430)
Increase in deferred revenue as a result of billing in advance of corporate finance advisory services	2,785	6,684
Balance at the end of the period/year	8,607	8,509

Sponsor fee income is generally received 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 customers but not yet earned is recorded as deferred revenue in the condensed consolidated statement of financial position and 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\$2,687,000 and HK\$7,430,000 of deferred revenue as of 1 April 2020 and 2019 had been recognised as revenue for the period/year ended 30 September 2020 and 31 March 2020, respectively.

(d) Transaction price allocated to the remaining performance obligations

As at 30 September 2020 and 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts were approximately HK\$62,807,000 and HK\$85,110,000, 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 1 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.

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	
		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Customer A	(i)	288	8,135
Customer B	(ii)	7,534	–
Customer C	(iii)	8,559	–

Notes:

- (i) Revenue from corporate finance advisory and securities and underwriting services for the six months ended 30 September 2019.

Revenue from corporate finance advisory services for the six months ended 30 September 2020.

- (ii) Revenue from securities and underwriting services for the six months ended 30 September 2020.

- (iii) Revenue from corporate finance advisory and securities and underwriting services for the six months ended 30 September 2020.

7. OTHER INCOME AND GAINS OR LOSSES, NET

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income	1,786	662
Dividend income	454	803
Net change in financial assets at fair value through profit or loss	18,018	(875)
Share of results of consolidated investment fund		
attributable to other redeemable participating shareholders	(7,786)	–
Other income	71	51
	12,543	641

8. FINANCE COSTS

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on margin financing	117	160
Interest on lease liabilities	215	394
	<u>332</u>	<u>554</u>

9. PROFIT BEFORE INCOME TAX EXPENSES

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

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Auditor's remuneration	561	150
Depreciation		
— Property, plant and equipment	415	676
— Right-of-use assets	3,180	3,180
Listing expenses	—	8,011
Expected credit loss on accounts receivable	3,378	216
Low value assets lease expenses	47	47
Staff costs (including directors' remuneration):		
— Salaries, allowances and other benefits	23,537	21,460
— Equity settled share-based payment expenses	1,218	2,734
— Contributions to retirement benefits schemes	362	375
	<u>25,117</u>	<u>24,569</u>

10. INCOME TAX EXPENSES

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — Hong Kong profits tax		
— Charge for the period	2,118	4,125
— Under-provision in respect of prior period	—	7
	<u>2,118</u>	<u>4,132</u>

The provision of Hong Kong profit tax is calculated by applying the estimated weighted average income tax rate expected for the full financial year of 16.5% (2019: 16.5%) to the six months ended 30 September 2020.

11. DIVIDEND

During the six months ended 30 September 2020 and 2019, final dividends of HK\$19,892,000 and HK\$6,000,000 were declared and paid to the then shareholders respectively, which was in compliance with the applicable laws.

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2020 (2019: HK\$0.025 per share).

12. EARNINGS PER SHARE

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

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company	<u>12,309</u>	<u>5,542</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	405,962,965	328,425,104
Effect of dilutive potential ordinary shares in respect of the Company's share option schemes (<i>notes (ii) & (iii)</i>)	<u>24,446,140</u>	<u>146,997</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>430,409,105</u>	<u>328,572,101</u>

Notes:

- (i) Basic earnings per share is calculated by dividing profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue of the Company during the period.
- (ii) The calculation of diluted earnings per share is based on profit for the period attributable to owners of the Company and the weighted average number of ordinary shares after adjustment for the effect of the exercise of the Company's outstanding share options under Pre-IPO share option scheme, and assuming the exercise is made at no consideration at the beginning of the period.

The Company's share options outstanding as at 30 September 2020 and 2019 gave rise dilutive effect to the earnings per share because the sum of exercise price and option value of the Company's share options were lower than the average market price of the Company's shares for the six months ended 30 September 2020 and on the date of the Company's shares listing on the Stock Exchange.

- (iii) The effect of convertible bonds issued by a subsidiary, it is not considered for the calculation of diluted earnings per share as the exercise price is higher than the fair value of the stock price.

13. ACCOUNTS RECEIVABLE

		30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
	Notes		
Accounts receivable arising from			
— Securities margin financing services	(i)	90,416	96,689
— Securities dealing and brokerage services from the clearing house	(ii)	12,970	2,266
— Securities dealing and brokerage services from cash clients	(iii)	69	1,633
— Corporate advisory and other services	(iv)	22,499	32,335
		<u>125,954</u>	<u>132,923</u>

Notes:

- (i) Advances to margin clients in margin financing are repayable on demand and carry interest at Hong Kong Dollar Prime rate plus a spread. Credit facility limits for margin clients are determined by discounted market value of securities collateral accepted by the Group. Fair values of these securities at 30 September 2020 and 31 March 2020 were approximately HK\$402,114,000 and HK\$500,106,000, respectively. Based on agreement terms with margin clients, the Group is permitted to sell or repledge securities in securities account in the absence of default by margin clients.

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

The Group evaluates the collectability of loans based on management's judgement regarding the change in credit quality, collateral value and past collection history of each margin client. At 30 September 2020 and 31 March 2020, the Group has a concentration of credit risk on accounts receivable arising from margin clients. The top five accounts receivable of the Group from margin clients constituted approximately 33.0% of total accounts receivable from margin clients at 30 September 2020 (31 March 2020: 40.6%).

The Group has no credit terms for its margin clients.

Details of margin loan granted to Mr. Mui Ho Cheung Gary ("Mr. Mui"), a director of the Company, are as below:

Name of the director	Outstanding balance at the beginning of the period/year HK\$'000	Outstanding balance at the end of the period/year HK\$'000	Maximum outstanding balance during the period/year HK\$'000	Margin finance facilities approved HK\$'000
At 30 September 2020 (Unaudited)				
Mr. Mui	<u>1,226</u>	<u>1,150</u>	<u>1,226</u>	<u>3,000</u>
At 31 March 2020 (Audited)				
Mr. Mui	<u>—</u>	<u>1,226</u>	<u>1,996</u>	<u>3,000</u>

The margin finance facilities granted to Mr. Mui were secured by securities, bearing interest at Hong Kong Dollar Prime Rate plus a spread and repayable on demand.

- (ii) The settlement terms of accounts receivable from the 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.
- (iii) Accounts receivable from cash clients represented unsettled client trades on various securities exchanges transacted at the last two to three business days prior to the end of the reporting period. No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis does not give additional value to users of this announcement in view of the nature of these accounts receivable.
- (iv) In respect of accounts receivable arising from corporate advisory and other services, the ageing analysis based on invoice date (net of impairment loss) is as follows:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Less than 30 days	2,331	8,680
31–90 days	4,330	4,343
91–365 days	8,985	17,024
Over 365 days	6,853	2,288
	22,499	32,335

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

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Opening balance	2,476	115
Impairment loss recognised	3,378	2,361
Closing balance	5,854	2,476

14. ACCOUNTS PAYABLE

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Accounts payable arising from the ordinary course of business of securities dealing and brokerage services		
— Cash clients	38,449	13,748
— Margin clients	19,401	21,766
Accounts payable to brokers	19,354	8,282
	77,204	43,796

Notes:

- (i) The settlement terms of accounts payable attributable to dealing in securities are two days after the trade date.

No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis does not give additional value to users of this announcement in view of the business nature of securities dealing and brokerage services.

As at 30 September 2020, included in accounts payable arising from the ordinary course of business of securities dealing and brokerage services was an amount of approximately HK\$43,290,000 (31 March 2020: HK\$22,624,000) payable to clients in respect of segregated account balances received and held for clients in the course of the conduct of regulated activities.

- (ii) As at 30 September 2020, advances from margin financing are secured by securities of the Group with amount of approximately HK\$51,790,000 (31 March 2020: HK\$23,926,000) 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.

The Group had unutilised credit limit of approximately HK\$9,315,000 from margin financing facilities as at 30 September 2020 (31 March 2020: HK\$25,368,000).

15. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Amount HK\$'000
Authorised:			
At 1 April 2019		38,000,000	380
Increase of authorised share	(i)	9,962,000,000	99,620
At 31 March 2020, 1 April 2020 and 30 September 2020		<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:			
At 1 April 2019		780	—*
Allotment of shares under reorganisation	(ii)	1,268	—*
Capitalisation issue of shares	(iii)	327,997,952	3,280
Issue of shares under share offer	(iv)	72,000,000	720
Exercise of share options	(v)	5,962,965	60
At 31 March 2020, 1 April 2020 and 30 September 2020		<u>405,962,965</u>	<u>4,060</u>

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

Notes:

- (i) 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.
- (ii) Under the Reorganisation, Mr. Mui transferred his entire shareholding interest in the Company to Lego Financial Group Limited (“LFGL”) at a consideration of HK\$7.8, which was determined with reference to the par value of the shares. LFGL and other shareholders transferred their respective 935 shares and an aggregate of 89 shares in Lego Financial Group Investment Holdings Limited to the Company in consideration of the Company allotting and issuing 1,090 shares to LFGL and an aggregate of 178 shares to other shareholders.
- (iii) The directors were authorised to capitalise an amount of approximately HK\$3,280,000 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.
- (iv) Under a share offer took place during the year ended 31 March 2020, 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.
- (v) During the year ended 31 March 2020, the share options were exercised to subscribe for 5,962,965 ordinary shares of the Company at a cash consideration, before expenses, of approximately HK\$3,577,000, of which approximately HK\$60,000 was credited to share capital and the balance of approximately HK\$3,517,000 together with share option reserve of approximately HK\$1,622,000 were transferred to the share premium account upon the exercise of the share options.

16. EVENT AFTER THE REPORTING PERIOD

The Group has paid close attention to the development of the 4th wave of COVID-19 in Hong Kong and evaluated its impact on the financial position and operating results of the Group. Pending development of COVID-19 pandemic, the Group’s financial and operating performance may be affected, the extent to which cannot be estimated as at the date of this announcement.

Save as disclosed above, there is no significant subsequent event after the six months ended 30 September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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 the Group 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 Period, the corporate finance advisory services have originated 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 four IPO underwriting projects, of which one of them was sponsored by the Group. As at 30 September 2020, the asset under management amounted to approximately US\$7.8 million (equivalent to approximately HK\$60.7 million).

REVIEW

Market Review

The world continued to face the challenge of the novel coronavirus 2019 (COVID-19) in 2020. Since World Health Organisation declared the outbreak of COVID-19 as global pandemic on 11 March 2020, global and Asia economy was forced to a standstill and economic activities around the world declined abruptly. Businesses in various industries struggled to be profitable. Hong Kong financial market and sentiment for investment is unavoidably impacted by the economic and social uncertainties.

As a result, the real GDP of Hong Kong declined by 9.0% in the second quarter of 2020. Following the Hong Kong government's massive relief measures and the pandemic being relatively contained, the Hong Kong economy saw some improvement in the third quarter of 2020, with the year-on-year decline in real GDP narrowing visibly to 3.5%. However, the unemployment rate in September 2020 continued to surge to 6.4%, the highest in close to 16 years.

The Group's project pipeline remains resilient despite all these challenges. The Group's strong reputation for excellent and high performing team provides continuous support for recurring customers. The Group also maintains sufficient financial resources and strong balance sheet to fund its ongoing business requirements, operational and financial obligations. While the demand for corporate finance advisory, margin financing and underwriting services in the industry and its business, which is dependable on the market conditions, was impacted by the uncertainties described above, the Group was able to maintain a profitable track record notwithstanding the precedented events due to the pandemic.

Business Review

The Group derived its revenue mainly from its corporate finance advisory services and securities and underwriting services during the Period, which accounted for approximately 49.4% and 41.7% (2019: approximately 83.6% and 16.2%) of the Group's total revenue, respectively. The Group's other businesses, namely securities financing and asset management services, accounted for approximately 8.8% and 0.1% (2019: 0.2% and nil) of its total revenue respectively during the Period.

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 52.5%, from approximately HK\$43.2 million for the six months ended 30 September 2019 to approximately HK\$20.5 million during the Period.

(i) IPO sponsorship services

During the Period, the Group was engaged in 15 IPO sponsorship projects (2019: 22 projects) and has completed one IPO sponsorship engagement (2019: two).

Revenue generated from IPO sponsorship services was approximately HK\$7.5 million during the Period (2019: approximately HK\$15.8 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 Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC; 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\$9.3 million during the Period (2019: approximately HK\$23.0 million). During the Period, the Group was engaged in 51 financial advisory projects and 31 independent financial advisory projects (2019: 50 and 39, respectively).

(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\$3.8 million during the Period (2019: approximately HK\$4.3 million). During the Period, the Group was engaged in 19 compliance advisory projects (2019: 21 projects).

Securities, Underwriting 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 recorded revenue from securities and underwriting business of approximately HK\$17.3 million (2019: HK\$8.4 million) which was mainly due to increase in average underwriting commission generated from placing and underwriting projects during the Period. The Group completed four transactions as underwriter for IPOs and did not complete any transaction as underwriter and/or placing agents for secondary market fund raising exercise (2019: 7 and 1, respectively).

Asset Management Services

The Group provides fund management services to its clients.

As at 30 September 2020, the asset under management by the Lego Vision Fund SP was approximately US\$7.8 million (equivalent to approximately HK\$60.7 million) (30 September 2019: US\$4.1 million, or equivalent to approximately HK\$31.9 million). The revenue generated from asset management services was approximately HK\$30,000 during the Period (2019: HK\$20,000).

Financial Review

Revenue

The total revenue of the Group decreased from approximately HK\$51.6 million for the six months ended 30 September 2019 to approximately HK\$41.5 million for the Period, representing a decrease of approximately 19.6%, mainly as a result of decrease in revenue of the corporate finance advisory services, partially offset by the increase in revenue of securities and underwriting services.

Administrative and Other Expenses

The Group's administrative and other expenses decreased by approximately 36.7% from approximately HK\$17.3 million for the six months ended 30 September 2019 to approximately HK\$10.9 million for the Period, primarily due to recognition of listing expenses of approximately HK\$8.0 million for the six months ended 30 September 2019.

Staff Costs

Staff costs increased slightly by approximately 2.2% from approximately HK\$24.6 million for the six months ended 30 September 2019 to approximately HK\$25.1 million for the Period primarily due to increase in bonus to the staff during the Period.

Finance Costs

Finance costs represented interest expense recognised on right-of-use assets and interest expense payable for margin financing incurred by the fund under management by the Group. The Group recorded finance costs of approximately HK\$0.3 million during the Period (2019: HK\$0.6 million).

Profit attributable to the owners of the Company

Profit for the Period attributable to the owners of the Company increased to approximately HK\$12.3 million (2019: approximately HK\$5.5 million) primarily due to recognition of listing expenses for the six months ended 30 September 2019.

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 2020, the Group's net current assets amounted to approximately HK\$160.5 million (31 March 2020: approximately HK\$165.2 million), and its liquidity as represented by current ratio (current assets/current liabilities) was approximately 2.3 times (31 March 2020: approximately 2.0 times). Cash and bank balances amounted to approximately HK\$33.0 million (31 March 2020: approximately HK\$127.9 million). As at 30 September 2020, the Group has no bank loans but has short term advances from margin financing of approximately HK\$19.4 million (31 March 2020: HK\$8.3 million). As at 30 September 2020, the Group's total debt incurred (including advances from margin financing and lease liabilities) were approximately HK\$24.9 million (31 March 2020: HK\$17.0 million), representing a gearing ratio of approximately 14.7% (31 March 2020: 9.8%).

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

Pledge of Assets

As at 30 September 2020, the Group did not have any pledged assets (31 March 2020: 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 2020, the Group did not have any significant capital commitment and contingent liabilities (31 March 2020: nil).

Employees and Remuneration Policies

As at 30 September 2020, the Group employed 50 staff (including executive Directors) (31 March 2020: 46). 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 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.

Significant Investments held by the Group

As at 30 September 2020, the Group held 28,807.172 non-voting shares in Lego Vision Fund SP (which represented 52.2% of total non-voting shares of Lego Vision Fund SP) with aggregate value of approximately US\$4.1 million (equivalent to approximately HK\$31.9 million), which represented 10.7% of the total assets of the Company.

During the Period, the Group has invested in 15% interest in a Hong Kong incorporated company which is principally engaged in cybersecurity technology utilising blockchain and related technology at a consideration of approximately HK\$0.5 million.

Material Acquisitions and Disposal of Subsidiaries and Capital Assets

On 4 May 2020, the Group acquired 99.6% interest in Lohas Holdings Limited at a consideration of approximately HK\$0.8 million. A subsidiary of Lohas Holdings Limited is applying an insurance license and plans to launch and sell insurance products to retail and high net worth clients. The acquisition was made with an aim to diversify the Group's business portfolio and expand the Group's revenue stream.

Save for the above, the Group did not have any material acquisitions and disposals of subsidiaries and capital assets during the Period.

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

Global and Asia economy faced significant uncertainties due to the global pandemic. Businesses around the world are also challenged by the new norm of conducting businesses, and ensuring the safety of its employees and customers. The Hong Kong financial market as a result remained volatile against the backdrop of such unprecedented events with global economy dipped into recession. In addition, the market continued to be sensitive to uncertainties, such as the fallout of US election, Sino-US trade dispute, U.S. interest rate outlook, outcome of Brexit and 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 Group remains capable of securing new mandates and maintaining a healthy project pipeline. However, the Group remains cautious on the impact of the Uncertainties and its 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 Group expects to maintain sufficient financial resources and strong balance sheet to fund its ongoing business requirements, operational and financial obligations.

Looking ahead, the Company will continue to adhere to its strict and prudent risk management and compliance strategy. The Group will also capitalise on the advantages of being a fully licensed broker in Hong Kong to provide high-quality professional services on corporate finance advisory, securities and financing, and asset management for outstanding enterprises in Asia and around the world. The Group expects to weather the economy downturn and aims to create long-term return to its shareholders and investors and endeavor to establish the Company as a top comprehensive financial services institution in the region.

CORPORATE GOVERNANCE

Compliance with Corporate Governance Code

As of 30 September 2020, the Company has complied with all applicable code provisions under the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules 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 interests of the Group and its shareholders as a whole.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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. 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 during the Period.

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 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 2020 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 2020 including the accounting principles and practices adopted by the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2020 (2019: HK\$0.025 per Share).

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.legogroup.hk and the interim report of the Company for the six months ended 30 September 2020 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in accordance with the requirements under the Listing Rules.

By order of the Board
LFG Investment Holdings Limited
Mui Ho Cheung Gary
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 25 November 2020

As at the date of this announcement, the executive Directors are Mr. Mui Ho Cheung Gary, Mr. Liu Chi Wai, Mr. Ng Siu Hin Stanley, Ms. Ho Sze Man Kristie and Mr. Tang Chun Fai Billy; and the independent non-executive Directors are Ms. Lim Yan Xin Reina, Mr. Poon Lai Yin Michael and Dr. Wong Ho Ki.

This announcement has been issued in the English language with a separate Chinese language translation. If there is any conflict in the announcement between the meaning of Chinese words or terms in the Chinese language version and English words in the English language version, the meaning of the English words shall prevail.