

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 ANNUAL RESULTS  
FOR THE YEAR ENDED 31 MARCH 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of LFG Investment Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2021 (the “**Fiscal Year**”) together with the comparative figures for the year ended 31 March 2020 as set out below:

**FINANCIAL PERFORMANCE HIGHLIGHTS**

	<b>Year ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Total revenue	<b>108,152</b>	105,254
Profit before income tax expenses	<b>18,463</b>	22,172
Profit for the year	<b>15,974</b>	14,150
Total comprehensive income for the year	<b>16,005</b>	14,150
Basic and diluted earnings per share	<b>4.0 HK cents</b>	3.9 HK cents

	<b>As at 31 March</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net assets	<b>173,651</b>	174,633
Total assets	<b>343,866</b>	347,581

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 31 March 2021*

	<i>Notes</i>	<b>Year ended 31 March</b>	
		<b>2021</b>	<b>2020</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	3		
Corporate finance advisory services		47,127	86,260
Securities and underwriting services		25,956	17,289
Interest income from margin financing services		6,748	2,091
Asset management services		30	39
Investment fund		28,291	(425)
Total revenue		<b>108,152</b>	105,254
Other income and gains or losses, net	4	(11,855)	947
Staff costs	5	(47,970)	(47,567)
Administrative and other expenses		(26,623)	(33,162)
Expected credit loss on accounts receivable		(2,632)	(2,361)
Finance costs	6	(609)	(939)
Profit before income tax expenses	5	<b>18,463</b>	22,172
Income tax expenses	7	(2,489)	(8,022)
<b>Profit for the year</b>		<b>15,974</b>	14,150
<b>Other comprehensive income for the year:</b>			
Item that may not be reclassified subsequently to profit or loss:			
Net change in financial assets at fair value through other comprehensive income		31	–
<b>Other comprehensive income for the year</b>		<b>31</b>	–
<b>Total comprehensive income for the year</b>		<b>16,005</b>	14,150
<b>Profit for the year attributable to:</b>			
Owners of the Company		16,124	14,150
Non-controlling interests		(150)	–
		<b>15,974</b>	14,150
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		16,155	14,150
Non-controlling interests		(150)	–
		<b>16,005</b>	14,150
<b>Earnings per share from profit for the year attributable to owners of the Company:</b>			
Basic and diluted earnings per share	9	<b>4.0 HK cents</b>	3.9 HK cents

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

		As at 31 March	
	Notes	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		3,430	1,511
Intangible asset		500	500
Deposits paid		1,049	1,231
Right-of-use assets		9,159	8,518
Financial assets at fair value through other comprehensive income		571	–
		<u>14,709</u>	<u>11,760</u>
<b>Current assets</b>			
Financial assets at fair value through profit or loss		94,844	50,721
Accounts receivable	10	131,187	132,923
Other receivables, deposits and prepayments		2,615	1,692
Tax recoverable		507	–
Pledged bank deposit		5,000	–
Cash and bank balances			
— held on behalf of customers		56,909	22,624
Cash and bank balances		38,095	127,861
		<u>329,157</u>	<u>335,821</u>
<b>Current liabilities</b>			
Accounts payable	11	96,623	43,796
Accruals and other payables		7,436	86,630
Other financial liabilities		45,161	18,716
Lease liabilities		3,455	6,478
Convertible bonds		1,170	–
Deferred revenue		5,629	8,509
Bank borrowings		5,000	–
Tax payables		–	6,534
		<u>164,474</u>	<u>170,663</u>
<b>Net current assets</b>		<u>164,683</u>	<u>165,158</u>
<b>Total assets less current liabilities</b>		<u>179,392</u>	<u>176,918</u>
<b>Non-current liabilities</b>			
Lease liabilities		5,741	2,285
<b>Net assets</b>		<u>173,651</u>	<u>174,633</u>

	<i>Notes</i>	<b>As at 31 March</b>	
		<b>2021</b>	<b>2020</b>
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Equity</b>			
Share capital		<b>4,060</b>	4,060
Share premium		<b>110,371</b>	110,371
Reserves		<b>57,824</b>	60,202
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>172,255</b>	174,633
Non-controlling interests		<b>1,396</b>	–
		<hr/>	<hr/>
<b>Total equity</b>		<b>173,651</b>	174,633
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 1. GENERAL INFORMATION

LFG Investment Holdings Limited (the “**Company**”) 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 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 (collectively referred to as the “**Group**”), are principally engaged in corporate finance advisory services, securities and financing services and asset management services.

In the opinion of the directors, the Company’s ultimate parent is Lego Financial Group Limited (“**LFGL**”), a company incorporated in the British Virgin Islands (the “**BVI**”).

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

### (a) Adoption of new or amended HKFRSs

The Hong Kong Institute of Certified Public Accountants has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKAS 1 and HKAS 8, Definition of Material
- Amendments to HKAS 39, HKFRS 7 and HKFRS 9, Interest Rate Benchmark Reform

Other than the amendments to HKFRS 3, none of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet 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.

The Group elected to apply the amendments prospectively to acquisitions for which the acquisition date is on or after 1 April 2020. The amendments did not have any impact on the financial position and performance of the Group.

**(b) New or amended HKFRSs that have been issued but are not yet effective**

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 16	COVID-19-Related Rent Concessions <sup>1</sup>
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 <sup>6</sup>
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 <sup>2</sup>
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1 First-time Adoption of HKFRSs, HKFRS 9 Financial Instruments, HKFRS 16 Leases, and HKAS 41 Agriculture <sup>3</sup>
Amendments to HKAS 16	Proceeds before Intended Use <sup>3</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>4</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020)
	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>5</sup>
Amendments to HKAS 1	Disclosure of Accounting Policies <sup>5</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>7</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>4</sup> Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>6</sup> Effective for annual periods beginning on or after 1 April 2021.

<sup>7</sup> The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

### ***Amendments to HKFRS 16, COVID-19-Related Rent Concessions***

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

### ***Amendments to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021***

HKFRS 16 was amended to:

- (a) permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021);
- (b) require a lessee applying the amendment to do so for annual reporting periods beginning on or after 1 April 2021;
- (c) require a lessee applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and
- (d) specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of HKAS 8.

As the Group has no rent concessions during the year ended 31 March 2021, the directors of the Company considered that the effective of amendments on HKFRS 16 had no significant impact on the Group's consolidated financial statement.

***Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 — Interest Rate Benchmark Reform — Phase 2***

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “**Reform**”). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group’s consolidated financial statements.

***Annual Improvements to HKFRSs 2018–2020 — Amendments to HKFRS 1 First-time Adoption of HKFRSs, HKFRS 9 Financial Instruments, HKFRS 16 Leases, and HKAS 41 Agriculture***

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarify the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group’s consolidated financial statements.

***Amendments to HKAS 16 — Proceeds before Intended Use***

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group’s consolidated financial statements.

### ***Amendments to HKAS 37 — Onerous Contracts — Cost of Fulfilling a Contract***

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group’s consolidated financial statements.

### ***Amendments to HKFRS 3 — Reference to the Conceptual Framework***

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group’s consolidated financial statements.

### ***Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause***

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the Group’s consolidated financial statements.

### ***Amendments to HKAS 1 — Disclosure of Accounting Policies***

HKAS 1.69(d) was amended such that if an entity does not have “the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period” then it must be classified as current. Therefore, as amended, a liability is required to be classified as a non-current liability as long as an entity has the right to defer its settlement for at least twelve months, regardless of the entity’s intention.

### ***Amendments to HKAS 8 — Definition of Accounting Estimates***

The changes to HKAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

A change in an accounting estimate may affect only the current period’s profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

### ***Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the Group’s consolidated financial statements in future periods should such transaction arise.

### 3. 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. 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 advisory fee income are recognised over time during the service period.</p>

<b>Services</b>	<b>Nature, timing of satisfaction of performance obligation and significant payment terms</b>
(ii) Securities and financing 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.
(iv) Investment fund	Trading of listed securities through recognised stock exchanges. Investment income from trading of listed securities through recognised stock market is recognised on a trade date basis. Dividend income from listed securities is recognised when the Group's right to receive dividend payment is established. Interest income from listed bonds is recognised on an accrual basis using the effective interest method.

**(b) Disaggregation of revenue from contracts with customers**

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>By major services type:</b>		
Corporate finance advisory services		
Sponsor fee income	19,983	37,839
Advisory fee income		
— financial and independent financial advisory	19,666	39,511
— compliance advisory	7,478	8,910
	<u>47,127</u>	<u>86,260</u>
Securities and underwriting services	25,956	17,289
Interest income from margin financing services	6,748	2,091
Asset management services	30	39
Investment fund	28,291	(425)
	<u>108,152</u>	<u>105,254</u>
Total	<u>108,152</u>	<u>105,254</u>
<b>Revenue from contracts with customers:</b>		
Corporate finance advisory services	47,127	86,260
Securities and underwriting services	25,956	17,289
Asset management services	30	39
	<u>73,113</u>	<u>103,588</u>
<b>Revenue from other sources:</b>		
Interest income from margin financing services	6,748	2,091
Interest income from listed bonds	3,383	1,791
Dividend income from listed securities	733	1,428
Net change in financial assets at fair value through profit or loss	24,175	(3,644)
	<u>35,039</u>	<u>1,666</u>
	<u>108,152</u>	<u>105,254</u>
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Timing of revenue recognition from contracts with customers:</b>		
Services transferred at a point in time	25,956	17,289
Services transferred over time	47,157	86,299
	<u>73,113</u>	<u>103,588</u>

(c) **Contract balances**

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accounts receivable ( <i>note 10</i> )	<b>131,187</b>	132,923
Deferred revenue	<b>5,629</b>	8,509

*Movements in deferred revenue*

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance as at beginning of the year	<b>8,509</b>	9,255
Decrease in deferred revenue as a result of recognising revenue during the year that was included in the deferred revenue at the beginning of the year	<b>(5,946)</b>	(7,430)
Increase in deferred revenue as a result of billing in advance of corporate finance advisory services	<b>3,066</b>	6,684
Balance as at end of the year	<b>5,629</b>	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 consolidated statement of financial position. The portion of income received from customers but not yet earned is recorded as deferred revenue in the 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\$5,946,000 and HK\$7,430,000 of deferred revenue as of 1 April 2020 and 2019 had been recognised as revenue for the years ended 31 March 2021 and 2020.

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

As at 31 March 2021 and 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts are approximately HK\$48,634,000 and HK\$62,347,000 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 (2020: 6 to 24 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 years ended 31 March 2021 and 2020, revenue from major customer who contributed over 10% of the total revenue of the Group is as follows:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	<u><b>9,181</b></u>	<u>N/A</u>

Revenue contributed from customer A is derived from corporate finance advisory services and securities and underwriting services.

**4. OTHER INCOME AND GAINS OR LOSSES, NET**

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income	<b>131</b>	342
Exchange loss, net	<b>(109)</b>	(16)
Loss on disposal of property, plant and equipment	–	(1)
Share of results of consolidated investment fund attributable to other redeemable participating shareholders	<b>(11,964)</b>	576
Other income	<u><b>87</b></u>	<u>46</u>
	<u><b>(11,855)</b></u>	<u>947</u>

## 5. PROFIT BEFORE INCOME TAX EXPENSES

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration	<b>1,023</b>	1,113
Depreciation of		
— property, plant and equipment	<b>1,023</b>	1,398
— right-of-use assets	<b>6,280</b>	6,360
Listing expenses	–	8,011
Bad debt expenses	<b>127</b>	18
Expected credit loss on accounts receivable	<b>2,632</b>	2,361
Low value assets lease expenses	<b>93</b>	103
Staff costs (including directors' remuneration):		
— Salaries, allowances and other benefits	<b>45,914</b>	41,812
— Equity settled share-based payment expenses	<b>1,359</b>	4,992
— Contributions to retirement benefit schemes	<b>697</b>	763
Total staff costs	<b>47,970</b>	47,567

## 6. FINANCE COSTS

The Group's finance costs recognised as follows:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank borrowings	<b>13</b>	–
Interest on margin financing	<b>268</b>	239
Interest on lease liabilities	<b>328</b>	700
	<b>609</b>	939

## 7. INCOME TAX EXPENSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax — Hong Kong profits tax		
— Charge for the year	2,627	8,033
— Over-provision in respect of prior years	(165)	(31)
	<u>2,462</u>	<u>8,002</u>
Withholding tax on dividend income	<u>27</u>	<u>20</u>
Income tax expenses	<u><u>2,489</u></u>	<u><u>8,022</u></u>

Hong Kong profits tax was provided at a rate of 16.5% on the estimated assessable profits for the years ended 31 March 2021 and 2020, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rate regime, the first HK\$2 million of profits of qualifying entities are taxed at 8.25%, and the profits above HK\$2 million are taxed at 16.5%.

Dividend income received from listed equity investments in the United States is subject to withholding tax imposed in the country of origin. During the year ended 31 March 2021, the withholding tax rate was ranged from 21% to 30% (2020: 21% to 30%).

The income tax expenses for the year can be reconciled to the profit before income tax expenses in the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before income tax expenses	<u>18,463</u>	<u>22,172</u>
Tax calculated expenses at the applicable tax rates	3,046	3,658
Tax effect of non-taxable income	(4,630)	(63)
Tax effect of non-deductible expenses	3,406	3,470
Tax effect of temporary differences not recognised	746	864
Tax effect of tax losses not recognised	244	309
Over-provision in respect of prior years	(165)	(31)
Withholding tax on dividend income	27	20
Effect of tax concession	(20)	(40)
Effect of two-tier tax rate	(165)	(165)
Income tax expenses	<u><u>2,489</u></u>	<u><u>8,022</u></u>

As at 31 March 2021, the Group has estimated unused tax losses of approximately HK\$5,867,000 (2020: HK\$4,388,000) which were available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams. The estimated tax losses have no expiry date.

The deductible temporary differences of approximately HK\$11,480,000 (2020: HK\$6,961,000) can be carried forward indefinitely. No deferred tax asset has been recognised in relation to such deductible temporary difference because, in the opinion of the directors, it is not probable that taxable profits will be available against which those deductible temporary differences can be utilised.

## 8. DIVIDENDS

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

On 21 November 2019, the Company had further declared the payment of an interim dividend of HK\$0.025 per share with total amount of approximately HK\$10,147,000 for the period ended 30 September 2019 to the shareholders whose names appear on the Company's register of members on 12 December 2019. The interim dividend was fully paid in December 2019.

On 24 June 2020, the board of directors resolved to propose a final dividend for the year ended 31 March 2020 of HK\$0.049 per share, amounting to a total dividend of not less than HK\$19,892,000. The final dividend was fully paid in September 2020.

The board of directors does not recommend the payment of final dividend for the year ended 31 March 2021.

## 9. 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>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company	<u><b>16,124</b></u>	<u>14,150</u>
	<b>2021</b>	2020
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>405,962,965</b>	367,178,523
Effect of dilutive potential ordinary shares in respect of the Company's share option schemes ( <i>notes (ii) and (iii)</i> )	<u><b>316,282</b></u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>406,279,247</b></u>	<u>367,178,523</u>

### *Notes:*

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

The Company's share options outstanding as at 31 March 2021 had 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 during the year ended 31 March 2021 (2020: no dilution effect).

- (iii) The effect of convertible bonds issued by a subsidiary is not considered for the calculation of diluted earnings per share as it increases profit for the year attributable to owners of the Company.

## 10. ACCOUNTS RECEIVABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accounts receivable arising from:		
— Securities margin financing services ( <i>note (i)</i> )	97,016	96,689
— Securities dealing and brokerage services from the clearing house ( <i>note (ii)</i> )	8,924	2,266
— Securities dealing and brokerage services from cash clients ( <i>note (iii)</i> )	–	1,633
— Corporate advisory and other services ( <i>note (iv)</i> )	23,078	32,335
Accounts receivable from brokers	2,169	–
	<u>131,187</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 31 March 2021 and 2020 were approximately HK\$822,241,000 and HK\$500,106,000, respectively. Based on the agreement terms with margin clients, the Group is permitted to sell or repledge the securities in securities account in the absence of default by the 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 31 March 2021 and 2020, the Group had 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 34.3% of total accounts receivable from margin clients as at 31 March 2021 (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 year <i>HK\$'000</i>	Outstanding balance at the end of the year <i>HK\$'000</i>	Maximum outstanding balance during the year <i>HK\$'000</i>	Margin finance facilities approved <i>HK\$'000</i>
<b>At 31 March 2021</b>				
Mr. Mui	<u>1,226</u>	<u>1,197</u>	<u>1,226</u>	<u>3,000</u>
<b>At 31 March 2020</b>				
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 securities dealing and brokerage services 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:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Less than 30 days	<b>6,439</b>	8,680
31–90 days	<b>4,035</b>	4,343
91–365 days	<b>4,564</b>	17,024
Over 365 days	<b>8,040</b>	2,288
	<u><b>23,078</b></u>	<u>32,335</u>

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Opening balance	<b>2,476</b>	115
Impairment losses recognised	<b>2,632</b>	2,361
Closing balance	<u><b>5,108</b></u>	<u>2,476</u>

## 11. ACCOUNTS PAYABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accounts payable arising from the ordinary course of business of securities dealing and brokerage services ( <i>note (i)</i> )		
— Cash clients	43,760	13,748
— Margin clients	34,471	21,766
Amounts due to broker ( <i>note (ii)</i> )	18,392	8,282
	<u>96,623</u>	<u>43,796</u>

### 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 31 March 2021, included in accounts payable arising from the ordinary course of business of securities dealing and brokerage services was an amount of approximately HK\$56,909,000 (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 31 March 2021, amounts due to broker are secured by securities of the Group with amount of approximately HK\$60,022,000 (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\$42,107,000 from margin financing facilities as at 31 March 2021 (2020: HK\$25,368,000).

## 12. SUBSEQUENT EVENTS

On 1 April 2021, a total of 4,000,000 share options under a share option scheme to subscribe for shares of the Company were granted to a director of the Company. Each option shall entitle the holder to subscribe for one share upon exercise of such option at an exercise price of HK\$0.285 per share with the validity period of 10 years from the grant date.

Save as disclosed above, there is no significant subsequent event after the year ended 31 March 2021.

## 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 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 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, margin 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 Fiscal Year, 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 Fiscal Year, the Group has completed eight IPO underwriting projects, of which two of them were sponsored by the Group. Regarding the fund management services, as at 31 March 2021, the asset under management amounted to approximately US\$9.9 million (equivalent to approximately HK\$77.2 million).

The Group has invested in Lego Vision Fund SP which is a segregated portfolio under Lego Funds SPC Limited launched on 1 April 2019. The Lego Vision Fund SP is set up and managed by respective investment manager who has the power and authority to manage and make decisions for the investment. The Group made the investment with primary objectives for capital appreciation, investment gains and selling in the future for profit.

## **REVIEW**

### **Market Review**

The global economy remained to be challenged by the uncertainties since the outbreak of the COVID-19 in 2020. Most parts of the world continued to impose stringent travel restriction which limit the ability to travel and conduct in person meetings and limit economic activities. Global and Asia economy slowly recovers from standstill since COVID-19 being declared by World Health Organisation as global pandemic on 11 March 2020. Despite the recovery of financial markets with most of the stock indices recouped their earlier losses in June 2020, Hong Kong financial market and sentiment for investment is unavoidably impacted by the economic and social uncertainties.

The pandemic adversely affected the application and approval process for listing in Hong Kong. In 2020, the number of newly listed companies on the Main Board of the Stock Exchange decreased to 146 or 13.1%, as compared to the same period last year. The unemployment rate in Hong Kong had surged to 5.8% in 2020, the highest in the past 15 years. Real GDP in Hong Kong declined by 6.1% in 2020 as compared to 2019.

The development and approval of vaccination program in some countries since December 2020 raised hopes that pandemic is nearing the end. Global capital markets have reacted positively to the news and the Group is able to be benefited by the recovery with the surge in fair value of its investment. However, infections continued to surge in certain part of the world which sparked renewed lockdowns, and loomed over the prospect of recovery.

The Group strives to maintain its profitability by prudence cost and capital management approach, and diversify its income source. The Group's project pipeline remains resilient despite these challenges, and was able to offset the slower economic activities with growth in securities and financing and investment businesses. The Group's strong reputation for excellent and high performing team continue to provide support for recurring customers and auxiliary business. 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 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's project pipeline remains solid.

### **Business Review**

Looking back on the past year, the Group has achieved satisfactory results. During the Fiscal Year, the Group was able to maintain its profitability while facing a challenging business environment. The Group leveraged its reputation and continue to diversify its income source and maintain a prudence cost and capital management strategy.

The Group continued to derive a majority of its revenue from its corporate finance advisory services during the Fiscal Year, which accounted for approximately 43.6% (2020: approximately 82.0%) of the Group's total revenue. The Group's other businesses, namely (i) securities and financing services; and (ii) asset management services and investment fund, accounted for approximately 30.2% and 26.2% (2020: approximately 18.4% and negative 0.4%) of its total revenue during the Fiscal Year, 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 45.4%, from approximately HK\$86.3 million for the year ended 31 March 2020 to approximately HK\$47.1 million during the Fiscal Year.

During the Fiscal Year, the Group was engaged in a total of 151 corporate finance advisory projects, which included 17 IPO sponsorship projects, 113 financial and independent financial advisory projects and 21 compliance advisory projects, while we were engaged in a total of 188 corporate finance advisory projects, which included 26 IPO sponsorship projects, 139 financial and independent financial advisory projects and 23 compliance advisory projects during the year ended 31 March 2020.

### *(i) IPO sponsorship services*

IPO sponsorship services remained as the Group's core driver for the Fiscal Year. During the Fiscal Year, the Group was engaged in 17 IPO sponsorship projects (2020: 26 projects) and has completed two IPO sponsorship engagements (2020: seven).

Revenue generated from IPO sponsorship services was approximately HK\$20.0 million during the Fiscal Year (2020: approximately HK\$37.8 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\$19.7 million during the Fiscal Year (2020: approximately HK\$39.5 million). During the Fiscal Year, the Group was engaged in 70 financial advisory projects and 43 independent financial advisory projects (2020: 77 and 62, 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\$7.5 million during the Fiscal Year (2020: approximately HK\$8.9 million). During the Fiscal Year, the Group was engaged in 21 compliance advisory projects (2020: 23 projects).

## ***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 Fiscal Year, the Group recorded revenue from placing and underwriting business of approximately HK\$19.6 million (2020: HK\$10.6 million) which was mainly due to increase in average underwriting commission generated from placing and underwriting projects during the Fiscal Year. The Group completed 8 transactions as underwriter for IPOs and did not complete any transaction as underwriter and/or placing agents for secondary market fund raising exercise (2020: 13 and two, respectively).

The revenue generated from securities dealing and brokerage was approximately HK\$6.4 million during the Fiscal Year (2020: HK\$6.7 million).

As at 31 March 2021, the total outstanding balance of margin loans amounted to approximately HK\$97.0 million (31 March 2020: approximately HK\$96.7 million) and the interest income generated from securities financing services was approximately HK\$6.7 million during the Fiscal Year (2020: approximately HK\$2.1 million).

## ***Asset Management Services and Investment Fund Income***

The Group provides fund management services to its clients.

As at 31 March 2021, the asset under management by the Group was approximately US\$9.9 million (equivalent to approximately HK\$77.2 million) (31 March 2020: US\$5.2 million, or equivalent to approximately HK\$40.3 million). The revenue generated from asset management services was approximately HK\$30,000 during the Fiscal Year (2020: HK\$39,000).

The fund under management generated revenue of approximately HK\$28.3 million during the Fiscal Year (2020: negative HK\$0.4 million) arising from interest income from listed bonds, dividend income from listed securities and net change in financial assets at fair value through profit or loss. Such increase was mainly due to the significant improvement of performance of the fund under management.

## **Financial Review**

### ***Revenue***

The total revenue of the Group increased from approximately HK\$105.3 million for the year ended 31 March 2020 to approximately HK\$108.2 million for the Fiscal Year, representing an increase of approximately 2.8%, mainly as a result of increase in revenue from securities and financing services and investment fund partly offset by decrease in revenue of the corporate finance advisory services.

### ***Other income and gains or losses, net***

Other income and gains or loss, net decreased from approximately HK\$0.9 million for the year ended 31 March 2020 to approximately negative HK\$11.9 million for the Fiscal Year, representing a decrease of approximately HK\$12.8 million. Other income and gains or losses, net mainly includes interest income from bank deposits, foreign currency translation differences and share of results of consolidated investment fund attributable to other redeemable participating shareholders.

### ***Administrative and Other Expenses***

The Group's administrative and other expenses decreased by approximately 19.7% from approximately HK\$33.2 million for the year ended 31 March 2020 to approximately HK\$26.6 million for the Fiscal Year, primarily due to recognition of listing expenses of approximately HK\$8.0 million for the year ended 31 March 2020.

### ***Staff Costs***

Staff costs increased by approximately 0.8% from approximately HK\$47.6 million for the year ended 31 March 2020 to approximately HK\$48.0 million for the Fiscal Year primarily due to increase in the discretionary bonus to staff during the Fiscal Year.

### ***Finance Costs***

Finance costs represented interest expense recognised on right-of-use assets and interest expense payable for bank borrowings and margin financing incurred by the fund under management by the Group. The Group recorded finance costs of approximately HK\$0.6 million during the Fiscal Year (2020: approximately HK\$0.9 million).

### ***Profit attributable to the owners of the Company***

Profit for the Fiscal Year attributable to the owners of the Company slightly increased to approximately HK\$16.1 million (2020: approximately HK\$14.2 million) primarily due to increase in revenue, and decrease in other income, administrative and other expenses and income tax expenses.

### **Liquidity, Financial Resources and Capital Structure**

During the Fiscal Year, the Group's working capital and other capital requirements were principally satisfied by cash generated from the Group's operations, bank borrowings, margin financing and capital.

As at 31 March 2021, the Group's net current assets amounted to approximately HK\$164.7 million (31 March 2020: approximately HK\$165.2 million), and its liquidity as represented by current ratio (current assets/current liabilities) was approximately 2.0 times (31 March 2020: approximately 2.0 times). Cash and bank balances and pledged bank deposit in aggregate amounted to approximately HK\$43.1 million (31 March 2020: approximately HK\$127.9 million). As at 31 March 2021, the Group has bank borrowings, amounts due to broker and

convertible bonds of approximately HK\$5.0 million, HK\$18.4 million and HK\$1.2 million, respectively (31 March 2020: nil, HK\$8.3 million and nil, respectively). As at 31 March 2021, the Group's total debt incurred (including bank borrowings, amounts due to broker, convertible bonds and lease liabilities) were approximately HK\$33.8 million (31 March 2020: HK\$17.0 million), representing a gearing ratio of approximately 19.4% (31 March 2020: 9.8%).

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

### **Pledge of Assets**

As at 31 March 2021, the Group had pledged bank deposit of HK\$5.0 million (31 March 2020: nil).

### **Foreign Currency Exposure**

The majority of the Group's revenue is denominated in Hong Kong dollars and US 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 not material.

### **Capital Commitments and Contingent Liabilities**

As at 31 March 2021, the Group did not have any significant capital commitment and contingent liabilities (31 March 2020: nil).

### **Employees and Remuneration Policies**

As at 31 March 2021, the Group employed 53 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 "**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.

## **Significant Investments Held by the Group**

Up to 31 March 2021, the Group has invested US\$3 million (equivalent to approximately HK\$23.4 million) into Lego Vision Fund SP, a fund under management by the Group, as seed money. Lego Vision Fund SP focuses to invest in a portfolio consisting primarily of equities, bonds and other securities of companies in promising industries with excellent management, business model, products and sound financials for the long-term sustainable growth.

As at 31 March 2021, the Group held 28,807.172 non-voting shares in Lego Vision Fund SP (which represented approximately 44.7% of total non-voting shares of Lego Vision Fund SP) with aggregate value of approximately US\$4.4 million (equivalent to approximately HK\$34.3 million), which represented 10.0% of the total assets of the Company. The net asset value per share in respect of Lego Vision Fund SP was increased from US\$95.99 (equivalent to approximately HK\$748.7) on 1 April 2020, to approximately US\$153.6 (equivalent to approximately HK\$1,198.1) on 31 March 2021, representing an overall positive return of approximately 60.0%.

In view of the concerns on economic and political conditions, it is expected that the market will be, as in 2021, very volatile. However, the portfolio of Lego Vision Fund SP is built according to the mandate for steady absolute return under a controlled standard deviation and the fund manager believes that the performance of Lego Vision Fund SP can outperform in 2021. Accordingly, the Group intends to maintain its investment in Lego Vision Fund SP as a long-term investment.

## **Future Plans for Material Investments or Capital Assets**

Save for the investments of the Lego Vision Fund SP, the Group did not have any plan for material investment and capital asset as at 31 March 2021.

## **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 level, and reliably measure and monitor the risks on a timely and effective manner to ensure the risks are controlled within the tolerance level.

## **Compliance with Laws and Regulations**

During the Fiscal Year, as far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material aspects.

## **Outlook and Prospect**

Global and Asia economy continued to face significant uncertainties due to the global pandemic. Businesses around the world also challenged in different aspects in the way of conducting business, keep employees motivated while ensuring the safety of its employees and customers. A number of factor, such as the progress of vaccination rollout and Sino-US trade dispute will continue to hinder the recovery of the economic activities in most countries. 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 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 Group was able to maintain its profitability in the period of market uncertainties during the Fiscal Year. The Group had continued to equip itself for its long-term growth with steps to diversify its income sources and risk while allocating its resources as appropriate in accordance with the market changes.

Looking ahead, it is expected that the economy will resume gradually but maybe in a bumpy manner. The Company will continue to adhere to its strict and prudent risk management and compliance strategy, and take a prudent approach on its business development. The Group will aim to cement its strong reputation as an integrated platform for providing financial and securities services, and leverage its market position to diversify income stream and expand its client base.

The Company 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 uncertainties 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.

## 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 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 31 March 2021 (HK\$ million)	Unutilised as at 31 March 2021 (HK\$ million)	Expected timeline of full utilisation of the unutilised proceeds
Increase capital base for underwriting business	56.8%	56.3	56.3	–	Fully utilised
Expand equity capital markets (ECM) team	4.1%	4.1	0.8	3.3	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	11.7	1.8	By the end of financial year ending 31 March 2022
Increase capital base for the securities financing business	9.1%	9.0	9.0	–	Fully utilised
Expand corporate finance advisory team	6.4%	6.3	0.9	5.4	By the end of financial year ending 31 March 2022
Working capital and general corporate purposes	10.0%	9.9	9.9	–	Fully utilised
Total	100.0%	99.1	88.6	10.5	

The unutilised net proceeds are placed in licensed banks in Hong Kong as at 31 March 2021.

## FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 31 March 2021 (2020: HK\$0.049 per share).

## **CLOSURE OF REGISTER OF MEMBERS**

The forthcoming annual general meeting of the Company (the “**AGM**”) is scheduled to be held on Thursday, 12 August 2021. The register of members of the Company will be closed from Monday, 9 August 2021 to Thursday, 12 August 2021, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong branch share registrar and transfer office, Boardroom Share Registrars (HK) Limited, at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong before 4:30 p.m. on Friday, 6 August 2021.

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of 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 31 March 2021, the Company has complied with all applicable code provisions under the CG Code 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 the 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.

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

During the Fiscal Year, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities.

## **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).

The Audit Committee has reviewed the accounting principles and practices adopted by the Group as well as the audited consolidated financial statements of the Group for the year ended 31 March 2021.

## **SCOPE OF WORK OF AUDITOR**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in this preliminary announcement have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.legogroup.hk](http://www.legogroup.hk). The annual report of the Company for the year ended 31 March 2021 containing all the information required by the Listing Rules will be despatched to the Shareholders 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, 24 June 2021

*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.*