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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022**

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 2022 (the “**Fiscal Year**”) together with the comparative figures for the year ended 31 March 2021 as set out below:

### **FINANCIAL PERFORMANCE HIGHLIGHTS**

	<b>Year ended 31 March</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
Total revenue	<b>78,145</b>	108,152
(Loss)/profit before income tax expenses	<b>(698)</b>	18,463
(Loss)/profit for the year	<b>(3,534)</b>	15,974
Total comprehensive (expense)/income for the year	<b>(4,105)</b>	16,005
Basic and diluted (loss)/earnings per share	<b>(0.8 HK cents)</b>	4.0 HK cents

	<b>As at 31 March</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
Net assets	<b>170,512</b>	173,651
Total assets	<b>314,017</b>	343,866

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

*For the year ended 31 March 2022*

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Revenue	3		
Corporate finance advisory services		<b>70,940</b>	47,127
Securities and underwriting services		<b>14,748</b>	25,956
Interest income from margin financing services		<b>9,125</b>	6,748
Asset management services		–	30
Investment fund		<b>(16,668)</b>	28,291
		<hr/>	<hr/>
Total revenue		<b>78,145</b>	108,152
Other income and gains or losses, net	4	<b>13,511</b>	(11,855)
Staff costs	5	<b>(48,046)</b>	(47,970)
Other expenses		<b>(32,210)</b>	(26,496)
Bad debt expenses		<b>(781)</b>	(127)
Expected credit loss on accounts receivable		<b>(10,200)</b>	(2,632)
Expected credit loss on other receivable		<b>(212)</b>	–
Finance costs	6	<b>(905)</b>	(609)
		<hr/>	<hr/>
(Loss)/profit before income tax expenses	5	<b>(698)</b>	18,463
Income tax expenses	7	<b>(2,836)</b>	(2,489)
		<hr/>	<hr/>
<b>(Loss)/profit for the year</b>		<b>(3,534)</b>	15,974
		<hr/>	<hr/>
<b>Other comprehensive (expense)/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		<b>(571)</b>	31
		<hr/>	<hr/>
<b>Other comprehensive (expense)/income for the year</b>		<b>(571)</b>	31
		<hr/>	<hr/>
<b>Total comprehensive (expense)/income for the year</b>		<b>(4,105)</b>	16,005
		<hr/> <hr/>	<hr/> <hr/>

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
<b>(Loss)/profit for the year attributable to:</b>			
Owners of the Company		<b>(3,294)</b>	16,124
Non-controlling interests		<b>(240)</b>	(150)
		<u><b>(3,534)</b></u>	<u>15,974</u>
<b>Total comprehensive (expense)/income for the year attributable to:</b>			
Owners of the Company		<b>(3,865)</b>	16,155
Non-controlling interests		<b>(240)</b>	(150)
		<u><b>(4,105)</b></u>	<u>16,005</u>
<b>(Loss)/earnings per share from (loss)/profit for the year attributable to owners of the Company:</b>			
Basic and diluted (loss)/earnings per share	9	<u><b>(0.8 HK cents)</b></u>	<u>4.0 HK cents</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2022*

	<i>Notes</i>	<b>2022</b>	2021
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>2,808</b>	3,430
Intangible asset		<b>500</b>	500
Deposits and prepayments		<b>1,149</b>	1,049
Right-of-use assets		<b>10,860</b>	9,159
Financial assets at fair value through other comprehensive income		–	571
Investment in life insurance policy		<b>3,380</b>	–
		<b>18,697</b>	14,709
<b>Current assets</b>			
Financial assets at fair value through profit or loss		<b>80,567</b>	94,844
Accounts receivable	<i>10</i>	<b>128,925</b>	131,187
Other receivables, deposits and prepayments		<b>4,651</b>	2,615
Tax recoverable		–	507
Pledged bank deposit		<b>10,000</b>	5,000
Cash and bank balances — held on behalf of customers		<b>24,146</b>	56,909
Cash and bank balances		<b>47,031</b>	38,095
		<b>295,320</b>	329,157
<b>Current liabilities</b>			
Accounts payable	<i>11</i>	<b>55,038</b>	96,623
Accruals and other payables		<b>9,192</b>	7,436
Other financial liabilities		<b>32,765</b>	45,161
Lease liabilities		<b>5,038</b>	3,455
Convertible bonds		<b>1,170</b>	1,170
Deferred revenue		<b>4,813</b>	5,629
Bank borrowings		<b>29,938</b>	5,000
Tax payables		<b>53</b>	–
		<b>138,007</b>	164,474
<b>Net current assets</b>		<b>157,313</b>	164,683

	<b>2022</b>	2021
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Total asset less current liabilities</b>	<b><u>176,010</u></b>	<u>179,392</u>
<b>Non-current liabilities</b>		
Lease liabilities	<u>5,498</u>	<u>5,741</u>
<b>Net assets</b>	<b><u><u>170,512</u></u></b>	<u><u>173,651</u></u>
<b>Equity</b>		
Share capital	<b>4,060</b>	4,060
Share premium	<b>110,371</b>	110,371
Reserves	<u>54,925</u>	<u>57,824</u>
Equity attributable to owners of the Company	<b>169,356</b>	172,255
Non-controlling interests	<u>1,156</u>	<u>1,396</u>
<b>Total equity</b>	<b><u><u>170,512</u></u></b>	<u><u>173,651</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2022*

## 1. GENERAL INFORMATION

LFG Investment Holdings Limited (the “**Company**”) is an exempted company with limited liability incorporated in the Cayman Islands. Its issued shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). 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 (“**HKICPA**”) has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- Amendment to HKFRS 16, COVID-19-Related Rent Concessions
- 2021 Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2

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.

**(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 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
HKFRS 17	Insurance Contracts and related Amendments <sup>2</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>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction <sup>2</sup>
Amendments to HKAS 16	Property, plant and equipment: Proceed before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>1</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>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> No mandatory effective date yet determined but available for adoption

Except described as below, the directors of the Company anticipate that the application of other new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

***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 consolidated financial statements.

### ***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 consolidated financial statements in future periods should such transaction arise.

### ***HKFRS 17 — Insurance Contracts and related Amendments***

HKFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 Insurance Contracts.

HKFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.

The implementation of HKFRS 17 is likely to bring significant changes to an entity's processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and information technology.

The HKICPA issued Amendments to HKFRS 17 to address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the HKICPA issued Amendments to HKFRS 4 Extension of the Temporary Exemption from HKFRS 9 that extends the fixed expiry date of the temporary exemption from applying HKFRS 9 in HKFRS 4 to annual reporting periods beginning on or after 1 January 2023.

HKFRS 17 is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The directors of the Company do not anticipate that the application of this standard and amendments in the future will have an impact on the 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 consolidated financial statements.

***Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies***

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

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

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information. In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional classifications.

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

***Amendments to HKAS 12 — Deferred tax related to assets and liabilities arising from a single transaction***

The amendments narrow the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied prospectively. Earlier application is permitted.

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

***Amendments to HKAS 16 — Property, plant and equipment — Proceeds before Intended Use***

The amendments prohibit deducting from the cost of an item of property 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 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 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 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 consolidated financial statements.

### 3. REVENUE AND SEGMENT INFORMATION

Revenue represents the 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 financial 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	<b>Nature, timing of satisfaction of performance obligation and significant payment terms</b>
(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>

<b>Services</b>	<b>Nature, timing of satisfaction of performance obligation and significant payment terms</b>
	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 compliance service period.
(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.

**Services** **Nature, timing of satisfaction of performance obligation and significant payment terms**

(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 securities investment is recognised when the Group's right to receive dividend payment is established. Interest income from debt securities 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>By major services type:</b>		
Corporate finance advisory services		
Sponsor fee income	15,438	19,983
Advisory fee income		
— financial and independent financial advisory	50,529	19,666
— compliance advisory	4,973	7,478
	<u>70,940</u>	<u>47,127</u>
Securities and underwriting services	14,748	25,956
Interest income from margin financing services	9,125	6,748
Asset management services	–	30
Investment fund	<u>(16,668)</u>	<u>28,291</u>
Total	<u><u>78,145</u></u>	<u><u>108,152</u></u>
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Revenue from contracts with customers:</b>		
Corporate finance advisory services	70,940	47,127
Securities and underwriting services	14,748	25,956
Asset management services	–	30
	<u>85,688</u>	<u>73,113</u>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Revenue from other sources:</b>		
Interest income from margin financing services	9,125	6,748
Interest income from listed bonds	4,652	3,383
Dividend income from listed securities	581	733
Net changes in financial assets at fair value through profit or loss	<u>(21,901)</u>	<u>24,175</u>
	<u>(7,543)</u>	<u>35,039</u>
	<u><u>78,145</u></u>	<u><u>108,152</u></u>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Timing of revenue recognition from contracts with customers:</b>		
Services transferred at a point in time	14,748	25,956
Services transferred over time	<u>70,940</u>	<u>47,157</u>
Total	<u><u>85,688</u></u>	<u><u>73,113</u></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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Accounts receivable ( <i>note 10</i> )	128,925	131,187
Deferred revenue	<u>4,813</u>	<u>5,629</u>

***Movements in deferred revenue***

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Balance as at beginning of the year	5,629	8,509
Decrease in deferred revenue as a result of recognising revenue during the year that was included in deferred revenue at the beginning of the year	(5,244)	(5,946)
Increase in deferred revenue as a result of billing in advance of corporate finance advisory services	<u>4,428</u>	<u>3,066</u>
Balance as at end of the year	<u><u>4,813</u></u>	<u><u>5,629</u></u>

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\$5,244,000 and HK\$5,946,000 of deferred revenue as of 1 April 2021 and 2020 had been recognised as revenue for the years ended 31 March 2022 and 2021.

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

As at 31 March 2022 and 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts are approximately HK\$53,278,000 and HK\$48,634,000 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 28 months (2021: 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 years ended 31 March 2022 and 2021, revenue from major customer who contributed over 10% of the total revenue of the Group is as follows:

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Customer A	<b>22,518</b>	–
Customer B	<b>N/A*</b>	9,181

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

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income	13	131
Exchange loss, net	(43)	(109)
Loss on write-off of property, plant and equipment	(3)	–
Loss on fair value change of investment in life insurance	(543)	–
Gain on disposal of financial assets at FVOCI	540	–
Share of results of consolidated investment fund attributable to other redeemable participating shareholders	13,544	(11,964)
Other income	3	87
	<u>13,511</u>	<u>(11,855)</u>

#### 5. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSES

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditor's remuneration	943	1,023
Depreciation of		
— property, plant and equipment	965	1,023
— right-of-use assets	5,306	6,280
Low value assets lease expenses	91	93
Staff costs (including directors' remuneration):		
— Salaries, allowances and other benefits	46,392	45,914
— Equity settled share-based payment expenses	966	1,359
— Contributions to retirement benefits schemes	688	697
Total staff costs	<u>48,046</u>	<u>47,970</u>

#### 6. FINANCE COSTS

The Group's finance costs recognised as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank borrowings	484	13
Interest on margin financing	248	268
Interest on lease liabilities	173	328
	<u>905</u>	<u>609</u>

## 7. INCOME TAX EXPENSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax — Hong Kong profits tax		
— Charge for the year	2,802	2,627
— Over-provision in respect of prior years	<u>(6)</u>	<u>(165)</u>
	2,796	2,462
Withholding tax on dividend income	<u>40</u>	<u>27</u>
Income tax expenses	<u><u>2,836</u></u>	<u><u>2,489</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 2022 and 2021, 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 2022, the withholding tax rate was 21% to 30% (2021: 21% to 30%).

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/profit before income tax expenses	<u>(698)</u>	<u>18,463</u>
Tax calculated expenses at the applicable tax rates	(115)	3,046
Tax effect of non-taxable income	(3,443)	(4,630)
Tax effect of non-deductible expenses	5,116	3,406
Tax effect of deductible temporary differences not recognised	1,105	746
Tax effect of tax losses not recognised	324	244
Over-provision in respect of prior years	(6)	(165)
Withholding tax on dividend income	40	27
Effect of tax concession	(20)	(20)
Effect of two-tier tax rate	<u>(165)</u>	<u>(165)</u>
Income tax expenses	<u><u>2,836</u></u>	<u><u>2,489</u></u>

As at 31 March 2022, the Group has estimated unused tax losses of approximately HK\$7,830,000 (2021: HK\$5,867,000) 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\$18,920,000 (2021: HK\$12,223,000) 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 director, it is not probable that taxable profits will be available against which those deductible temporary differences can be utilised.

## 8. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2022, nor has any dividend been proposed since the end of reporting period.

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 HK\$19,892,000. Such dividend was approved by the shareholders of the Company at the annual general meeting held on 10 August 2020 and was fully paid during the year ended 31 March 2021.

## 9. (LOSS)/EARNINGS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/profit for the year attributable to owners of the Company	<u>(3,294)</u>	<u>16,124</u>
	<b>2022</b>	2021
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<b>405,962,965</b>	405,962,965
Effect of dilutive potential ordinary shares in respect of the Company's share option schemes and convertible bonds issued by a subsidiary ( <i>notes (ii) and (iii)</i> )	<u>–</u>	<u>316,282</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u><b>405,962,965</b></u>	<u>406,279,247</u>

*Notes:*

- (i) Basic (loss)/earnings per share is calculated by dividing (loss)/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 (loss)/earnings per share is based on (loss)/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 and share option scheme, and assuming the exercise is made at no consideration at the beginning of the year.

The Company's share options outstanding for the year ended 31 March 2022 do not have dilutive effect to the (loss)/earnings per share because the sum of exercise price and option value of the Company's share options were higher than the average market price of the Company's shares during the year ended 31 March 2022 (2021: had dilutive effect to the (loss)/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).

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

## 10. ACCOUNTS RECEIVABLE

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
Accounts receivable arising from:			
— Securities margin financing services	<i>(i)</i>	<b>112,336</b>	97,016
— Securities dealing and brokerage services from the clearing house	<i>(ii)</i>	–	8,924
— Corporate advisory and other services	<i>(iii)</i>	<b>14,315</b>	23,078
Accounts receivable from brokers		<b>2,274</b>	2,169
		<b>128,925</b>	131,187

*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 2022 and 2021 were approximately HK\$547,350,000 and HK\$822,241,000, 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 31 March 2022 and 2021, 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 46.5% of total accounts receivable from margin clients at 31 March 2022 (2021: 34.3%).

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 follows:

<b>Name of the director</b>	<b>Outstanding balance at the beginning of the year</b> <i>HK\$'000</i>	<b>Outstanding balance at the end of the year</b> <i>HK\$'000</i>	<b>Maximum outstanding balance during the year</b> <i>HK\$'000</i>	<b>Margin finance facilities approved</b> <i>HK\$'000</i>
<b>At 31 March 2022</b>				
Mr. Mui	<u>1,197</u>	<u>1,297</u>	<u>1,297</u>	<u>3,000</u>
<b>At 31 March 2021</b>				
Mr. Mui	<u>1,226</u>	<u>1,197</u>	<u>1,226</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) 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>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Less than 30 days	<b>6,102</b>	6,439
31–90 days	<b>1,745</b>	4,035
91–365 days	<b>3,526</b>	4,564
Over 365 days	<b>2,942</b>	8,040
	<u><b>14,315</b></u>	<u>23,078</u>

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Opening balance	<b>5,108</b>	2,476
Impairment losses recognised	<b>10,200</b>	2,632
Closing balance	<u><b>15,308</b></u>	<u>5,108</u>

## 11. ACCOUNTS PAYABLE

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
Accounts payable arising from the ordinary course of business of securities dealing and brokerage services	(i)		
— Cash clients		<b>12,842</b>	43,760
— Margin clients		<b>16,037</b>	34,471
— Clearing house		<b>391</b>	—
Amounts due to broker	(ii)	<b>25,768</b>	18,392
		<b>55,038</b>	96,623

### *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 2022, included in accounts payable arising from the ordinary course of business of securities dealing and brokerage services was an amount of approximately HK\$24,146,000 (2021: HK\$56,909,000) 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 2022, amounts due to broker are secured by securities of the Group with amount of approximately HK\$58,148,000 (2021: HK\$60,022,000) 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\$17,720,000 from margin financing facilities as at 31 March 2022 (2021: HK\$42,107,000).

## 12. SUBSEQUENT EVENTS

Subsequent to the year ended 31 March 2022, the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) was approved by the Legislative Council of Hong Kong which will abolish the offsetting mechanism under the mandatory provident fund. The directors of the Company are currently assessing the impact of such amendment will have on the consolidated financial statements. As the arrangement is still in initial stage, an estimate of the impact to the Group cannot be made.

As disclosed in the announcement of the Company dated 16 June 2022, a subsidiary of the Company has executed two trade orders, which were discloseable transactions in relation to the acquisitions of listed shares on the open market. Details of the transactions had been disclosed in the announcement of the Company dated 16 June 2022.

Save as disclosed as above, there is no other significant subsequent event after the year ended 31 March 2022.

## **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 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 5 underwriting and placing projects. Regarding the fund management services, as at 31 March 2022, the asset under management amounted to approximately US\$7.5 million (equivalent to approximately HK\$58.6 million).

### **REVIEW**

#### **Market Review**

During the Fiscal Year, business environment remained challenging. While most parts of the world have gradually relaxed travel restrictions, Hong Kong's business activities came to a halt during the fifth wave of COVID-19 in early 2022, which has limited marketing opportunities. The Hong Kong market was also affected by uncertainties caused by the Sino-US tension, the Russo-Ukrainian war and the credit crisis of certain property developers of the People's Republic of China (the "PRC"). The volatile stock market performance in the US, Hong Kong and the PRC has affected investment sentiment and reduced business opportunities.

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 promising corporate finance business. 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. The Group has stepped up credit control measures to monitor the outstanding accounts receivable in order to manage liquidity and credit risks. 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**

During the Fiscal Year, the Group has been facing a challenging business environment hit by the volatile stock market and deteriorating financial conditions of certain clients. 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 90.8% (2021: approximately 43.6%) 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 30.6% and negative 21.3% (2021: approximately 30.2% and 26.2%) 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 significant increase in revenue of approximately 50.5%, from approximately HK\$47.1 million for the year ended 31 March 2021 to approximately HK\$70.9 million during the Fiscal Year.

During the Fiscal Year, the Group was engaged in a total of 152 corporate finance advisory projects, which included 14 IPO sponsorship projects, 125 financial and independent financial advisory projects and 13 compliance advisory projects, while 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 during the year ended 31 March 2021.

*(i) IPO sponsorship services*

During the Fiscal Year, the Group was engaged in 14 IPO sponsorship projects (2021: 17 projects).

Revenue generated from IPO sponsorship services was approximately HK\$15.4 million during the Fiscal Year (2021: approximately HK\$20.0 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\$50.5 million during the Fiscal Year (2021: approximately HK\$19.7 million). During the Fiscal Year, the Group was engaged in 79 financial advisory projects and 46 independent financial advisory projects (2021: 70 and 43, 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\$5.0 million during the Fiscal Year (2021: approximately HK\$7.5 million). During the Fiscal Year, the Group was engaged in 13 compliance advisory projects (2021: 21 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\$1.6 million (2021: approximately HK\$19.6 million) which was mainly due to decrease in number of placing and underwriting projects during the Fiscal Year. The Group did not complete any transaction as underwriter for IPOs but completed 5 transactions as underwriters and/or placing agents for secondary market fund raising exercise (2021: 8 and nil, respectively).

The revenue generated from securities dealing and brokerage was approximately HK\$13.1 million during the Fiscal Year (2021: approximately HK\$6.4 million) as the securities trading activities by the clients increased during the Fiscal Year.

As at 31 March 2022, the total outstanding balance of margin loans amounted to approximately HK\$112.3 million (31 March 2021: approximately HK\$97.0 million) and the interest income generated from securities financing services was approximately HK\$9.1 million during the Fiscal Year (2021: approximately HK\$6.7 million).

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

The Group provides fund management services to its clients.

As at 31 March 2022, the asset under management by the Group was approximately US\$7.5 million (equivalent to approximately HK\$58.6 million) (31 March 2021: approximately US\$9.9 million, or equivalent to approximately HK\$77.2 million). The revenue generated from asset management services was nil during the Fiscal Year (2021: approximately HK\$30,000).

The fund under management generated revenue of approximately negative HK\$16.7 million during the Fiscal Year (2021: approximately HK\$28.3 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 decrease was mainly due to the reversal of performance of the fund under management during the Fiscal Year.

## **Financial Review**

### ***Revenue***

The total revenue of the Group decreased from approximately HK\$108.2 million for the year ended 31 March 2021 to approximately HK\$78.1 million for the Fiscal Year, representing a decrease of approximately 27.7%, mainly as a result of decrease in revenue from investment fund which outweighed the increase in revenue of the corporate finance advisory services.

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

Other income and gains or loss, net increased from approximately negative HK\$11.9 million for the year ended 31 March 2021 to approximately HK\$13.5 million for the Fiscal Year, representing an increase of approximately HK\$25.4 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.

### ***Other expenses***

The Group's other expenses increased by approximately 21.6% from approximately HK\$26.5 million for the year ended 31 March 2021 to approximately HK\$32.2 million for the Fiscal Year, primarily due to increase in transaction costs for securities and financing services during the Fiscal Year.

### ***Staff costs***

Staff costs remained stable at approximately HK\$48.0 million for the Fiscal Year (2021: approximately HK\$48.0 million).

### ***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\$0.9 million during the Fiscal Year (2021: approximately HK\$0.6 million).

### *(Loss)/profit attributable to the owners of the Company*

Loss for the Fiscal Year attributable to the owners of the Company was approximately HK\$3.3 million (2021: profit of approximately HK\$16.1 million) primarily due to recognition of expected credit loss on accounts and other receivable and decrease in revenue from the management fund which outweighed the increase in revenue of the corporate finance advisory services.

### **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 2022, the Group's net current assets amounted to approximately HK\$157.3 million (31 March 2021: approximately HK\$164.7 million), and its liquidity as represented by current ratio (current assets/current liabilities) was approximately 2.1 times (31 March 2021: approximately 2.0 times). Cash and bank balances and pledged bank deposit in aggregate amounted to approximately HK\$57.0 million (31 March 2021: approximately HK\$43.1 million). As at 31 March 2022, the Group has bank borrowings, amounts due to broker and convertible bonds of approximately HK\$29.9 million, HK\$25.8 million and HK\$1.2 million, respectively (31 March 2021: approximately HK\$5.0 million, HK\$18.4 million and HK\$1.2 million, respectively). As at 31 March 2022, the Group's total debt incurred (including bank borrowings, amounts due to broker, convertible bonds and lease liabilities) were approximately HK\$67.4 million (31 March 2021: approximately HK\$33.8 million), representing a gearing ratio of approximately 39.5% (31 March 2021: approximately 19.4%).

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 2022, the Group (i) had pledged bank deposit of HK\$10.0 million (31 March 2021: HK\$5.0 million); and (ii) assigned the life insurance policy valued at HK\$3.4 million to a bank as a security for a bank borrowing.

### **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 2022, the Group did not have any significant capital commitment and contingent liabilities (31 March 2021: nil).

## **Employees and Remuneration Policies**

As at 31 March 2022, the Group employed 46 staff (including executive Directors) (31 March 2021: 53). 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 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.

## **Material Acquisitions and Disposals of Subsidiaries, Associates, Joint Ventures and Capital Assets**

On 30 September 2021, the Group disposed its 15% interest in a Hong Kong incorporated company (the "**Tech Company**"), which is principally engaged in cybersecurity technology utilising blockchain and related technology, to a third party independent of the Company and its connected persons at a consideration of approximately HK\$0.5 million. The Tech Company is a start-up company incorporated in April 2020. It recorded a loss of approximately HK\$2.4 million during the period from 1 April 2021 to 30 September 2021. Subsequent to the disposal, the Group has no interest in the Tech Company. A net change in financial assets at fair value of negative HK\$571,000 and a gain on disposal of financial assets of HK\$540,000 were recorded in the condensed consolidated statement of profit or loss and other comprehensive income of the Group for the Fiscal Year.

Save for the above, the Group did not have any other material acquisitions and disposals of subsidiaries associates, joint ventures and capital assets during the Fiscal Year.

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

Up to 31 March 2022, the Group has invested US\$3 million (equivalent to approximately HK\$23.4 million) into Lego Vision Fund SP (“LVF”), a fund under management by the Group, as seed money. LVF 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 2022, the Group held 28,807,172 non-voting shares in LVF (which represented approximately 44.1% of total non-voting shares of LVF) with aggregate value of approximately US\$3.3 million (equivalent to approximately HK\$25.8 million), which represented 8.2% of the total assets of the Group. The net asset value per share in respect of LVF was decreased from US\$153.6 (equivalent to approximately HK\$1,198.1) on 31 March 2021, to approximately US\$114.87 (equivalent to approximately HK\$896.0) on 31 March 2022, representing an overall negative return of approximately 25.2%.

LVF suffered in first half of 2022, due to interest rate hike triggered by high inflation. The risk-off was across the whole market. Second half of 2022 remains nervous, but the management of LVF is cautiously optimistic that further downside will be limited, especially of the portfolio companies which have very strong business model against cost raising and having revenue growth. Accordingly, the Group intends to maintain its investment in LVF as a long-term investment.

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

Save for the investments of LVF, the Group did not have any plan for material investments and capital assets as at 31 March 2022.

## **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 uncertainties due to the global pandemic. A number of factor, such as the condition of the pandemic, the situation of the Russo-Ukrainian war and the resolution of the credit crisis of the China property developers will continue to hinder the recovery of the economic activities in Hong Kong. Any adverse market condition or market sentiment may affect clients' decision on the scale, timing and platform in respect of their fund raising needs and merger and acquisition plans, which may lead to lower demand for, delay to or termination of fund raising and merger and acquisition 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 maintaining a healthy project pipeline. In particular, the Group has actively sought business opportunities for resumption and restructuring projects in view of the prevailing market and regulatory environment. However, the Group's business and revenue may likely be adversely affected if the uncertainties continue to dampen the outlook of the market.

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.

## 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 2022 (HK\$ million)	Unutilised as at 31 March 2022 (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	3.3	0.8	By the end of financial year ending 31 March 2023
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 2023
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	3.6	2.7	By the end of financial year ending 31 March 2023
Working capital and general corporate purposes	10.0%	9.9	9.9	–	Fully utilised
Total	<u>100.0%</u>	<u>99.1</u>	<u>93.8</u>	<u>5.3</u>	

The unutilised net proceeds are placed in licensed banks in Hong Kong as at 31 March 2022.

## **FINAL DIVIDEND**

The Board has resolved not to declare any final dividend for the year ended 31 March 2022 (2021: nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The forthcoming annual general meeting of the Company (the “**AGM**”) is scheduled to be held on Friday, 12 August 2022. The register of members of the Company will be closed from Tuesday, 9 August 2022 to Friday, 12 August 2022, both days inclusive, in order to determine the identity of the shareholders of the Company (the “**Shareholder(s)**”) 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, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road Central, Hong Kong before 4:30 p.m. on Monday, 8 August 2022.

## **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 2022, the Company has complied with all applicable code provisions under the CG Code except for the following provision.

Under code provision C.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 2022.

## **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 2022 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 2022 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 2022

*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.*