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LFG Investment Holdings Limited

LFG 投資控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3938)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

The board (the “**Board**”) of directors (the “**Directors**”) of LFG Investment Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2024 (the “**Period**”), together with comparative figures for the six months ended 30 September 2023, as follows:

FINANCIAL SUMMARY

- The Group’s total revenue (excluding investment fund) decreased to approximately HK\$16.0 million for the Period from approximately HK\$64.9 million for the six months ended 30 September 2023.
- The Group’s total revenue (including investment fund) decreased to approximately HK\$8.6 million for the Period from approximately HK\$63.6 million for the six months ended 30 September 2023.
- Revenue generated from corporate finance advisory services for the Period amounted to approximately HK\$11.3 million (2023: approximately HK\$49.2 million), accounting for approximately 131.9% of the Group’s total revenue (2023: approximately 77.4%).
- Revenue generated from securities and financing services for the Period amounted to approximately HK\$4.6 million (2023: approximately HK\$13.2 million), accounting for approximately 54.2% of the Group’s total revenue (2023: approximately 20.7%).
- For the Period, the Group recorded loss for the Period of approximately HK\$17.6 million (2023: profit of approximately HK\$10.9 million).

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

For the six months ended 30 September 2024

| | | Six months ended | |
|--|--------------|-------------------------|----------------------|
| | | 30 September | |
| | | 2024 | 2023 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Revenue | 4 | | |
| Corporate finance advisory services | | 11,311 | 49,219 |
| Securities and underwriting services | | 868 | 6,931 |
| Interest income from margin financing services | | 3,781 | 6,233 |
| Asset management services | | 66 | 2,520 |
| Investment fund | | <u>(7,450)</u> | <u>(1,296)</u> |
| Total revenue | | 8,576 | 63,607 |
| Other income and gains or losses, net | 5 | 3,435 | 1,693 |
| Staff costs | 7 | (16,950) | (29,695) |
| Other expenses | | (10,385) | (12,144) |
| Expected credit loss on accounts receivable | 11 | (2,499) | (11,120) |
| Reversal of expected credit loss on other receivables | | 1,465 | 276 |
| Finance costs | 6 | <u>(1,276)</u> | <u>(957)</u> |
| (Loss)/profit before income tax expenses | 7 | (17,634) | 11,660 |
| Income tax expenses | 8 | <u>(14)</u> | <u>(722)</u> |
| (Loss)/profit for the period | | <u>(17,648)</u> | <u>10,938</u> |
| Other comprehensive expense for the period: | | | |
| Item that may not be reclassified subsequently to profit or loss: | | | |
| – Net change in financial assets at fair value through other comprehensive income | | <u>–</u> | <u>–</u> |
| Other comprehensive expense for the period | | <u>–</u> | <u>–</u> |
| Total comprehensive (expense)/income for the period | | <u>(17,648)</u> | <u>10,938</u> |

| | | Six months ended | |
|---|---------------------------|-------------------------|---------------------|
| | | 30 September | |
| | | 2024 | 2023 |
| <i>Note</i> | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| (Loss)/profit for the period attributable to: | | | |
| | Owners of the Company | (17,503) | 10,992 |
| | Non-controlling interests | (145) | (54) |
| | | <u>(17,648)</u> | <u>10,938</u> |
| Total comprehensive (expense)/income for the period attributable to: | | | |
| | Owners of the Company | (17,503) | 10,992 |
| | Non-controlling interests | (145) | (54) |
| | | <u>(17,648)</u> | <u>10,938</u> |
| (Loss)/earnings per share from (loss)/profit for the period attributable to owners of the Company: | | | |
| | | | |
| | Basic | (4.3) HK cents | 2.7 HK cents |
| | Diluted | (4.3) HK cents | 2.7 HK cents |
| | | <u>(4.3) HK cents</u> | <u>2.7 HK cents</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

| | <i>Notes</i> | 30 September 2024 <i>HK\$'000</i> (Unaudited) | 31 March 2024 <i>HK\$'000</i> (Audited) |
|--|--------------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | 2,619 | 2,240 |
| Intangible asset | | 500 | 500 |
| Deposits and prepayments | | 1,521 | 1,570 |
| Right-of-use assets | | 16,699 | 880 |
| Investment in life insurance policy | | 3,671 | 3,609 |
| Deferred tax asset | | 147 | 147 |
| | | 25,157 | 8,946 |
| Current assets | | | |
| Financial assets at fair value through profit or loss | | 30,127 | 39,863 |
| Accounts receivable | 11 | 65,359 | 100,280 |
| Other receivables, deposits and prepayments | | 525 | 3,334 |
| Tax recoverable | | 2,026 | 1,733 |
| Pledged bank deposit | | 10,000 | 10,000 |
| Cash and bank balances – held on behalf of customers | | 40,704 | 25,940 |
| Cash and bank balances | | 33,723 | 41,273 |
| | | 182,464 | 222,423 |
| Current liabilities | | | |
| Accounts payable | 12 | 47,485 | 43,929 |
| Accruals and other payables | | 4,472 | 9,128 |
| Other financial liabilities | | 14,628 | 17,808 |
| Lease liabilities | | 2,892 | 246 |
| Convertible bonds | | 1,336 | 698 |
| Deferred revenue | 4 | 793 | 970 |
| Bank borrowings | | 5,564 | 24,639 |
| | | 77,170 | 97,418 |
| Net current assets | | 105,294 | 125,005 |
| Total assets less current liabilities | | 130,451 | 133,951 |

| | | 30 September 2024 | 31 March 2024 |
|--|-------------|------------------------------|------------------------|
| | <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | (Unaudited) | (Audited) |
| Non-current liabilities | | | |
| Lease liabilities | | <u>14,121</u> | <u>197</u> |
| Net assets | | <u>116,330</u> | <u>133,754</u> |
| Equity | | | |
| Share capital | 13 | 4,060 | 4,060 |
| Share premium | | 110,371 | 110,371 |
| Reserves | | <u>1,230</u> | <u>18,509</u> |
| Equity attributable to owners of the Company | | 115,661 | 132,940 |
| Non-controlling interests | | <u>669</u> | <u>814</u> |
| Total equity | | <u>116,330</u> | <u>133,754</u> |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2024

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 1505, 15/F, Wheelock House, 20 Pedder Street, 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.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with HKAS 34 *Interim Financial Reporting*. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2023/2024 annual report.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group has applied the same accounting policies and methods of computation in its condensed consolidated interim financial statements as in its 2023/2024 annual consolidated financial statements.

Use of estimates and judgements

There have been no material revisions to the nature and amount of estimates of amounts reported in prior periods.

Impact of accounting standards to be applied in future periods

There are a number of standards and interpretations which have been issued by the HKICPA that are effective for periods beginning subsequent to 31 March 2025 (the date on which the Company’s next annual financial statements will be prepared up to) that the Group has decided not to adopt early. The Group does not believe these standards and interpretations will have a material impact on the financial statements once adopted.

4. 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 | 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 their shares on the Stock Exchange, 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 companies 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 companies listed 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 companies listed in Hong Kong and advising them on post-listing matter. Compliance advisory fee income are recognised over time during the compliance service period.</p> |
| (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 when the service obligation is completed (e.g. when the listing approval is obtained and the shares are listed on the Stock Exchange). |
| (2) Securities dealing and brokerage services | Providing 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. Commission income is recognised as income on a trade date basis when the services are rendered. Service fee is billed when the service obligation is completed (e.g. when the trading of securities is executed). |
| (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. Performance target is evaluated on an annual basis for each of the account. The performance fee is recognised when it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. |

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

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

| | Six months ended | |
|---|-------------------------|-----------------|
| | 30 September | |
| | 2024 | 2023 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| By major service type: | | |
| Corporate finance advisory services | | |
| Sponsor fee income | – | 5,471 |
| Advisory fee income | | |
| – financial and independent financial advisory | 11,131 | 43,339 |
| – compliance advisory | 180 | 409 |
| | 11,311 | 49,219 |
| Securities and underwriting services | 868 | 6,931 |
| Interest income from margin financing services | 3,781 | 6,233 |
| Asset management services | 66 | 2,520 |
| Investment fund | (7,450) | (1,296) |
| Total | 8,576 | 63,607 |
| Revenue from contracts with customers: | | |
| Corporate finance advisory services | 11,311 | 49,219 |
| Securities and underwriting services | 868 | 6,931 |
| Asset management services | 66 | 2,520 |
| | 12,245 | 58,670 |
| Revenue from other sources: | | |
| Interest income from margin financing services | 3,781 | 6,233 |
| Interest income from listed bonds | – | 76 |
| Dividend income from listed securities | 73 | 254 |
| Net change in financial assets at fair value through profit or loss | (7,523) | (1,626) |
| | (3,669) | 4,937 |
| Timing of revenue recognition from contracts with customers: | | |
| Services transferred at a point in time | 868 | 24,179 |
| Services transferred over time | 11,377 | 34,491 |
| Total | 12,245 | 58,670 |

(c) **Contract balances**

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

| | 30 September 2024 HK\$'000 (Unaudited) | 31 March 2024 HK\$'000 (Audited) |
|--|---|---|
| Accounts receivable (<i>note 11</i>) | 65,359 | 100,280 |
| Deferred revenue | 793 | 970 |

Movements in deferred revenue:

| | | |
|--|--------------|---------|
| Balance at the beginning of the period/year | 970 | 2,021 |
| Decrease in deferred revenue as a result of recognising revenue during the period/year that was included in deferred revenue at the beginning of the period/year | (931) | (1,931) |
| Increase in deferred revenue as a result of billing in advance of corporate finance advisory services | 754 | 880 |
| Balance at the end of the period/year | 793 | 970 |

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

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

As at 30 September 2024 and 2023, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts was approximately HK\$19,225,000 and HK\$36,643,000 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 13 months (30 September 2023: 1 to 22 months).

Geographical information

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

Information about major customers

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

| | Six months ended 30 September | |
|------------|--|--------------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Customer A | 2,237 | N/A* |
| Customer B | 951 | N/A* |
| Customer C | N/A* | 17,248 |

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

5. OTHER INCOME AND GAINS OR LOSSES, NET

| | Six months ended 30 September | |
|--|--|--------------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Interest income | 257 | 35 |
| Exchange gain, net | 6 | 461 |
| Share of results of consolidated investment fund attributable to other redeemable participating shareholders | 3,129 | 1,104 |
| Net change in fair value for convertible bonds | (638) | – |
| Gain on fair value change of investment in life insurance policy | 62 | 93 |
| Other income | 619 | – |
| | 3,435 | 1,693 |

6. FINANCE COSTS

The Group's finance costs recognised are as follows:

| | Six months ended 30 September | |
|-------------------------------|--|--------------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Interest on bank borrowings | 555 | 822 |
| Interest on margin financing | 87 | 107 |
| Interest on lease liabilities | 634 | 28 |
| | 1,276 | 957 |

7. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSES

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

| | Six months ended | |
|--|-------------------------|----------------------|
| | 30 September | |
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Auditor's remuneration | 503 | 526 |
| Depreciation of | | |
| – Property, plant and equipment | 545 | 439 |
| – Right-of-use assets | 2,005 | 2,653 |
| Low value assets lease expenses | 68 | 73 |
| Staff costs (including directors' remuneration): | | |
| – Salaries, allowances and other benefits | 16,428 | 29,342 |
| – Equity settled share-based payment expenses | 224 | – |
| – Contributions to retirement benefits schemes | 298 | 353 |
| | <u>16,950</u> | <u>29,695</u> |
| Total staff costs | <u>16,950</u> | <u>29,695</u> |

8. INCOME TAX EXPENSES

| | Six months ended | |
|---|-------------------------|-------------------|
| | 30 September | |
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Current tax – Hong Kong profits tax | | |
| – Charge for the period | – | 685 |
| – Over-provision in respect of prior period | – | – |
| | <u>–</u> | <u>685</u> |
| Withholding tax on dividend income | <u>14</u> | <u>37</u> |
| Income tax expenses | <u>14</u> | <u>722</u> |

Hong Kong profits tax was provided at a rate of 16.5% on the estimated assessable profits for the six months ended 30 September 2024 and 2023, except for one subsidiary of the Group which is a qualifying corporation under the two- tiered profits tax rate 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 securities in the United States is subject to withholding tax imposed in the country of origin. During the period ended 30 September 2024, the withholding tax rate is 21% to 30% (2023: 21% to 30%).

9. DIVIDEND

During the six months ended 30 September 2024, no dividend (2023: HK\$10,149,000) was declared or paid to the then shareholders, which was in compliance with the applicable laws.

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2024 (2023: HK\$0.025 per share).

10. (LOSS)/EARNINGS PER SHARE

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

| | Six months ended | |
|--|-------------------------|-------------|
| | 30 September | |
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| (Loss)/profit for the period attributable to owners of the Company | (17,503) | 10,992 |
| Effect of dilutive potential ordinary shares in respect of the Company's convertible bonds issued by a subsidiary (<i>note (ii)</i>) | — | — |
| (Loss)/profit for the purpose of diluted (loss)/earnings per share | (17,503) | 10,992 |
| Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share | 405,962,965 | 405,962,965 |
| Effect of dilutive potential ordinary shares in respect of the Company's share option schemes (<i>note (iii)</i>) | — | — |
| Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share | 405,962,965 | 405,962,965 |

Notes:

- (i) Basic (loss)/earnings per share is calculated by dividing (loss)/profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue of the Company during the period.
- (ii) The effect of convertible bonds issued by a subsidiary is not considered for the calculation of diluted loss per share as it will not increase the loss per share for the period attributable to owners of the Company (2023: considered for the calculation of diluted earnings per share as it will increase the earnings per share for the period attributable to owners of the Company).
- (iii) The calculation of diluted (loss)/earnings per share is based on (loss)/profit for the period attributable to owners of the Company and the weighted average number of ordinary shares after adjustment for the effect of the exercise of the Company's outstanding share options under the Pre-IPO share option scheme and Share Option Scheme, and assuming the exercise is made at no consideration at the beginning of the period.

The Company's share options outstanding for the six months ended 30 September 2024 do not have dilutive effect to the loss 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 (2023: had no dilutive effect to the 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 for the six months ended 30 September 2023).

11. ACCOUNTS RECEIVABLE

| | | 30 September 2024 | 31 March 2024 |
|--|--------------|------------------------------|------------------|
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Audited) |
| Accounts receivable arising from | | | |
| – Securities margin financing services | (i) | 60,462 | 85,421 |
| – Securities dealing and brokerage services from the clearing house | | 391 | 6,788 |
| – Securities dealing and brokerage services from cash clients | | 544 | – |
| – Corporate advisory and other services | (ii) | 2,943 | 4,636 |
| – Asset management services | (ii) | 66 | – |
| Accounts receivable from brokers | | 953 | 3,435 |
| | | 65,359 | 100,280 |

Notes:

- (i) Advances to margin clients in margin financing are repayable on demand and carry interest at Hong Kong Dollar Prime Rate plus a spread. Credit facility limits for margin clients are determined by discounted market value of securities collateral accepted by the Group. Fair values of these securities at 30 September 2024 and 31 March 2024 were approximately HK\$99,559,000 and HK\$263,408,000, respectively. Based on agreement terms with margin clients, the Group is permitted to sell or repledge securities in securities account in the absence of default by margin clients.

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

The Group evaluates the collectability of loans based on management's judgement regarding the change in credit quality, collateral value and past collection history of each margin client. At 30 September 2024 and 31 March 2024, 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 68.8% of total accounts receivable from margin clients at 30 September 2024 (31 March 2024: 58.5%).

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:

| Name of the director | Outstanding balance at the beginning of the period/year <i>HK\$'000</i> | Outstanding balance at the end of the period/year <i>HK\$'000</i> | Maximum outstanding balance during the period/year <i>HK\$'000</i> | Margin finance facilities approved <i>HK\$'000</i> |
|----------------------------------|---|---|--|--|
| At 30 September 2024 (Unaudited) | | | | |
| Mr. Mui | <u>1,537</u> | <u>1,086</u> | <u>1,537</u> | <u>3,000</u> |
| At 31 March 2024 (Audited) | | | | |
| Mr. Mui | <u>1,408</u> | <u>1,537</u> | <u>1,537</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) In respect of accounts receivable arising from corporate advisory and other services and asset management services, the ageing analysis based on invoice date (net of impairment loss) is as follows:

| | 30 September 2024 <i>HK\$'000</i> (Unaudited) | 31 March 2024 <i>HK\$'000</i> (Audited) |
|-------------------|--|--|
| Less than 30 days | 1,638 | 648 |
| 31–90 days | 534 | 2,109 |
| 91–365 days | 837 | 1,879 |
| Over 365 days | <u>–</u> | <u>–</u> |
| | <u>3,009</u> | <u>4,636</u> |

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

| | 30 September 2024 <i>HK\$'000</i> (Unaudited) | 31 March 2024 <i>HK\$'000</i> (Audited) |
|----------------------------|--|--|
| Opening balance | 14,618 | 10,605 |
| Impairment loss recognised | 2,499 | 11,167 |
| Written off | (391) | (7,154) |
| | <u>16,726</u> | <u>14,618</u> |
| Closing balance | <u>16,726</u> | <u>14,618</u> |

12. ACCOUNTS PAYABLE

| | <i>Notes</i> | 30 September 2024 HK\$'000 (Unaudited) | 31 March 2024 HK\$'000 (Audited) |
|--|--------------|---|---|
| Accounts payable arising from the ordinary course of business of securities dealing and brokerage services | (i) | | |
| – Cash clients | | 35,499 | 22,790 |
| – Margin clients | | 10,151 | 13,836 |
| Accounts payable to broker | (ii) | 1,835 | 7,303 |
| | | 47,485 | 43,929 |

Notes:

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

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

As at 30 September 2024, included in accounts payable arising from the ordinary course of business of securities dealing and brokerage services was an amount of approximately HK\$40,704,000 (31 March 2024: HK\$25,940,000) payable to clients in respect of segregated account balances received and held for clients in the course of the conduct of regulated activities.

- (ii) As at 30 September 2024, accounts payable to brokers are secured by securities of the Group with amount of approximately HK\$21,750,000 (31 March 2024: HK\$34,065,000) 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\$17,524,000 from margin financing facilities as at 30 September 2024 (31 March 2024: HK\$19,629,000).

13. SHARE CAPITAL

| | Par value | Number of shares | Amount HK\$'000 |
|--|------------------|-----------------------------|----------------------------|
| Authorised: | | | |
| At 1 April 2023, 31 March 2024, 1 April 2024 and 30 September 2024 | <u>HK\$0.01</u> | <u>10,000,000,000</u> | <u>100,000</u> |
| Issued and fully paid: | | | |
| At 1 April 2023, 31 March 2024, 1 April 2024 and 30 September 2024 | <u>HK\$0.01</u> | <u>405,962,965</u> | <u>4,060</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

The 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 of Hong Kong Limited (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 Period, the corporate finance advisory services have contributed a majority of the revenue of the Group.

Supported by the foundation built by the corporate finance advisory services, the Group continues to develop the securities and financing services and asset management services. During the Period, the Group has completed one underwriting and placing project. Regarding the asset management services, as at 30 September 2024, the net assets of the funds under management and/or investment advisory amounted to approximately US\$5.7 million (equivalent to approximately HK\$44.7 million) (31 March 2024: approximately US\$4.5 million or equivalent to approximately HK\$34.7 million).

REVIEW

Market Review

During the Period, business environment in Hong Kong in general remained difficult but started to show signal of recovery. The closing price of the Hang Seng Index has seen rebound from 16,541.42 as at 28 March 2024 to 21,133.68 as at 30 September 2024, representing a rise of approximately 27.8% during the six-month period. The average daily trading value of the Main Board also returned to above HK\$100 billion during the six-month period, in particular, the trading value of 30 September 2024 surf over HK\$500 billion. Notwithstanding the rebound of Hong Kong stock market, the overall pace of recovery remained uncertain caused by, among others, the continued Russo-Ukrainian war and the Israel-Palestine war, the stubbornly high inflation, the credit crisis of certain property developers in the People's Republic of China (the "PRC") and the residual impact of COVID-19, in particular to the PRC.

The Group adopts prudent risk management and cost control under this challenging business environment. The Group maintains a strong reputable team of professionals to provide one-stop services to recurring clients and auxiliary business to tackle their needs. The Group maintains sufficient financial resources and strong balance sheet to fund its ongoing business requirements, operational and financial obligations. The Group has adopted conservative credit control approach to monitor the outstanding receivables in order to control potential credit risks and effectively manage liquidity risks. While the demand for corporate finance advisory and underwriting services was impacted by the uncertainties as discussed above, the Group's project pipeline remains solid.

Business Review

Looking back on the past six months, 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 continued to diversify its income source and maintain a prudent cost and capital management strategy.

The Group continued to derive its revenue primarily from its corporate finance advisory services during the Period, which accounted for approximately 131.9% (2023: approximately 77.4%) of the Group's total revenue. The Group's other businesses, namely (i) securities and financing services; (ii) asset management services; and (iii) investment fund, accounted for approximately 54.2%, 1.1% and negative 87.2% (2023: approximately 20.7%, 4.0% and negative 2.1%) of its total revenue during the Period, respectively.

Corporate Finance Advisory Services

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

The Group's corporate finance advisory business recognised a decrease in revenue of approximately 77.0%, from approximately HK\$49.2 million for the six months ended 30 September 2023 to approximately HK\$11.3 million during the Period.

During the Period, the Group was engaged in a total of 70 corporate finance advisory projects, which included 2 IPO sponsorship projects, 66 financial and independent financial advisory projects and 2 compliance advisory projects, while the Group had engaged in a total of 67 corporate finance advisory projects, which included 7 IPO sponsorship projects, 56 financial and independent financial advisory projects and 4 compliance advisory projects during the six months ended 30 September 2023.

(i) IPO sponsorship services

During the Period, the Group was engaged in 2 IPO sponsorship projects (2023: 7 projects).

No revenue was generated from IPO sponsorship services during the Period (2023: approximately HK\$5.5 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\$11.1 million during the Period (2023: approximately HK\$43.3 million). During the Period, the Group was engaged in 49 financial advisory projects and 17 independent financial advisory projects (2023: 38 and 18, 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\$0.2 million during the Period (2023: approximately HK\$0.4 million). During the Period, the Group was engaged in 2 compliance advisory projects (2023: 4 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 Period, the Group recorded revenue from placing and underwriting business of approximately HK\$0.1 million (2023: approximately HK\$1.6 million) which was mainly due to decrease in number of placing and underwriting projects during the Period. The Group completed nil transaction as underwriter for IPOs and one transaction as underwriter and/or placing agent for secondary market fund raising exercise (2023: one and two, respectively).

The revenue generated from securities dealing and brokerage was approximately HK\$0.8 million during the Period (2023: approximately HK\$5.4 million) as the securities trading activities by the clients decreased during the Period.

As at 30 September 2024, the total outstanding balance of margin loans amounted to approximately HK\$60.5 million (31 March 2024: approximately HK\$85.4 million) and the interest income generated from securities financing services was approximately HK\$3.8 million during the Period (2023: approximately HK\$6.2 million).

Asset Management Services and Investment Fund Income

The Group provides fund management services to its clients.

As at 30 September 2024, the net assets of the funds under management and/or investment advisory by the Group was approximately US\$5.7 million (equivalent to approximately HK\$44.7 million) (31 March 2024: approximately US\$4.5 million, or equivalent to approximately HK\$34.7 million). The revenue generated from asset management services was approximately HK\$66,000 during the Period (2023: approximately HK\$2.5 million).

The investment fund generated revenue of approximately negative HK\$7.5 million during the Period (2023: approximately negative HK\$1.3 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.

Financial Review

Revenue

The total revenue of the Group decreased from approximately HK\$63.6 million for the six months ended 30 September 2023 to approximately HK\$8.6 million for the Period, representing a decrease of approximately 86.5%, mainly as a result of decrease in revenue of the corporate finance advisory services, increase in losses from investment fund income, decrease in revenue from securities and financing services and interest income from margin financing services.

Other Income and Gains or Losses, Net

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 income and gains or losses, net increased from approximately HK\$1.7 million for the six months ended 30 September 2023 to approximately HK\$3.4 million for the Period, representing an increase of approximately HK\$1.7 million. Such increase was mainly due to increase in share of results of consolidated investment fund attributable to other redeemable participating shareholders.

Other Expenses

The Group's other expenses decreased by approximately 14.5% from approximately HK\$12.1 million for the six months ended 30 September 2023 to approximately HK\$10.4 million for the Period, primarily due to decrease in legal and professional fees and depreciation of right-of-use assets during the Period.

Staff Costs

Staff costs decreased by approximately 42.7% from approximately HK\$29.7 million for the six months ended 30 September 2023 to approximately HK\$17.0 million for the Period primarily due to decrease in head count and decrease in discretionary bonus during the Period.

Expected Credit Loss on Accounts and Other Receivables and Bad Debt Expenses

During the Period, the Group recorded expected credit loss on accounts receivable of approximately HK\$2.5 million (2023: approximately HK\$11.1 million) and reversal of expected credit loss on other receivable of approximately HK\$1.5 million (2023: reversal of expected credit loss of approximately HK\$0.3 million). The further recognition of expected credit loss was mainly due to the continual weakening financial condition of the debts in 2024 after the COVID-19 pandemic which resulted in prolonged ageing of the receivables from more debtors arising from corporate advisory and other services and the further decline in valuation of collateral due to market volatility held by certain debtors arising from securities margin financing services.

The Group applies the simplified approach to providing expected credit loss prescribed by HKFRS 9 for accounts receivable arising from corporate advisory services. The Group performs impairment assessment by applying the HKFRS 9 general approach for all accounts receivable arising from securities margin financing services on the basis of allowance of 12-month expected credit losses (“ECL”) for items without significant increase in credit risk and lifetime ECL for items with significant increase in credit risk with reference to ECL valuation prepared by Vincorn Consulting and Appraisal Limited. Certain accounts receivable arising from securities margin financing service were considered as significant increase in credit risk due to the decline in market value of securities collateral during the Period. As a result, the assessment of the expected credit losses of these accounts receivable were based on lifetime ECL. The credit rating of each of these debtors is estimated with reference to the following factors: (1) gross credit exposure; (2) overdue dates; (3) repayment schedule and repayment track record; and (4) capability of settlement. The expected credit loss rates are calculated by assigning the credit rating based on factors above and adjusted with forward-looking economic adjustment, proxied by the real growth domestic product (GDP) percentage change in Hong Kong. The calculation reflects the probability-weighted outcome, the time value of money and the best available forward looking information. Details of the expected credit loss on accounts and other receivables are set out in note 11 to the condensed consolidated interim financial statements of this announcement.

The Group performed periodic assessment on the recoverability of the accounts and other receivable and the sufficiency of impairment based on information including credit profile of difference customers, historical settlement records, expected timing and amount realisation of outstanding balances. The Group has also considered forward-looking information that may impact the customers’ ability to repay the outstanding balances in order to estimate the expected credit loss.

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\$1.3 million during the Period (2023: approximately HK\$1.0 million). The increase in finance costs was mainly due to increase in interest on lease liabilities during the Period.

(Loss)/Profit Attributable to the Owners of the Company

Loss for the Period attributable to the owners of the Company was approximately HK\$17.5 million (2023: profit of approximately HK\$11.0 million) primarily due to decrease in revenue, partially offset by decrease in expected credit loss on accounts receivable and increase in other income and gains or losses, net.

Liquidity, Financial Resources and Capital Structure

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

As at 30 September 2024, the Group's net current assets amounted to approximately HK\$105.3 million (31 March 2024: approximately HK\$125.0 million), and its liquidity as represented by current ratio (current assets/current liabilities) was approximately 2.4 times (31 March 2024: approximately 2.3 times). Cash and bank balances and pledged bank deposit in aggregate amounted to approximately HK\$43.7 million (31 March 2024: approximately HK\$51.3 million). As at 30 September 2024, the Group has bank borrowings, accounts payable to broker, convertible bonds and lease liabilities of approximately HK\$5.6 million, HK\$1.8 million, HK\$1.3 million and HK\$17.0 million respectively (31 March 2024: approximately HK\$24.6 million, HK\$7.3 million, HK\$0.7 million and HK\$0.4 million respectively). As at 30 September 2024, the Group's total debt incurred (including bank borrowings, accounts payable to broker, convertible bonds and lease liabilities) were approximately HK\$25.7 million (31 March 2024: approximately HK\$33.0 million), representing a gearing ratio of approximately 22.0% (31 March 2024: approximately 24.7%).

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

Pledge of Assets

As at 30 September 2024, the Group (i) had pledged bank deposit of HK\$10.0 million (31 March 2024: HK\$10.0 million); and (ii) assigned the life insurance policy valued at HK\$3.7 million to a bank as security for a bank borrowing (31 March 2024: HK\$3.6 million).

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 30 September 2024, the Group did not have any significant capital commitment and contingent liabilities (31 March 2024: nil).

Employees and Remuneration Policies

As at 30 September 2024, the Group employed 41 staff (including executive Directors) (31 March 2024: 42). 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. The Company adopted the 2024 share scheme on 13 August 2024 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 30 September 2024, the Group has invested US\$3.0 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 30 September 2024, the Group held 28,807.172 non-voting shares in LVF (which represented approximately 48.8% of total non-voting shares of LVF) with aggregate value of approximately US\$1.8 million (equivalent to approximately HK\$13.9 million), which represented approximately 6.7% of the total assets of the Group. The net asset value per share in respect of LVF decreased from approximately US\$75.3 (equivalent to approximately HK\$587.5) on 31 March 2024 to approximately US\$62.0 (equivalent to approximately HK\$483.6), representing an overall negative return of approximately 17.7%.

LVF suffered during the Period, mainly due to interest rate hike triggered by high inflation and the risk-off continued. The market remains nervous but the management of LVF is cautiously optimistic that further downside will be limited.

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.

Outlook and Prospect

Looking ahead, with various stimulus measures to boost economy post-COVID in Hong Kong and the PRC, it is expected that the Hong Kong economy and financial market in general would recover gradually but maybe in a bumpy manner. There are still a number of factors which may cause significant uncertainties to the global financial markets, such as the new policies which may be implemented by the US government to be led by the newly elected president, the outcome of the Russo-Ukrainian war and Israel-Palestine war, interest rate hike triggered by high inflation followed by the possible recession in the global economy and impact of market volatility and liquidity will continue to hinder the recovery of the financial markets in Hong Kong. Any adverse market condition or market sentiment may affect the clients' timeline and willingness to kick off the transactions, as well as their decision and outcome on the scale, timing and geographical market to undertake fund raising exercise and merger and acquisition plans.

One of the competitive advantages of the Group is to provide one-stop financial solutions to clients with an aim to fulfill their specific needs in a professional manner. The Group's corporate finance arm is experienced in a full spectrum corporate finance related services such as IPO sponsorship, primary and secondary market fund raising activities, mergers and acquisitions, takeovers, corporate and debt restructuring, financial due diligence and general compliance services. The Group's securities arm covers retail and corporate securities services, including secondary market trading, IPO subscription, margin and takeovers financing, equity fund raising and underwriting and pre-IPO fund raising activities. Last but not least, the Group's asset management arm covers fund management and investment advisory services. The Group believes that with the broad spectrum of financial services offered by the Group, the Group is in a competitive position to capture new mandates and maintain a healthy project pipeline.

While the Group continues to adhere to its strict and prudent risk management and compliance approach in delivering quality services to clients under current regulatory environment, the Group will also enhance its marketing efforts to solicit new opportunities targeting not only Hong Kong and the PRC, but also Southeast Asia, Oceania, Europe and also the Americas. With the Group's international network and strong professional teams, the Group is well positioned to capture market opportunities when the capital market gradually revives. The Group will aim to cement its strong reputation as an integrated platform for providing financial services and leverage its market position and solid experience to diversify income stream and client base.

CORPORATE GOVERNANCE

Compliance with Corporate Governance Code

As of 30 September 2024, the Company has complied with all applicable code provisions under the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 of Appendix C1 to the Listing Rules and adopted most of the best practices set out therein 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 interests of the Group and the shareholders of the Company (the “**Shareholders**”) as a whole.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, there is no treasury shares held by the Company.

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities (including sale of treasury shares).

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries with the Directors, all of the Directors confirmed that he/she has complied with the required standards as set out in the Model Code during the Period.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the accounting principles and practices adopted by the Group as well as the unaudited interim condensed consolidated financial statements and the interim report of the Group for the six months ended 30 September 2024 and is of the view that the interim results for the six months ended 30 September 2024 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the six months ended 30 September 2024 (2023: HK\$0.025 per share).

IMPORTANT EVENTS AFTER THE END OF THE PERIOD

There is no material subsequent event undertaken by the Group after 30 September 2024 and up to the date of this announcement.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.legogroup.hk and the interim report of the Company for the six months ended 30 September 2024 containing all the information required by the Listing Rules will be despatched to the Shareholders upon their request and made available for review 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, 22 November 2024

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

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