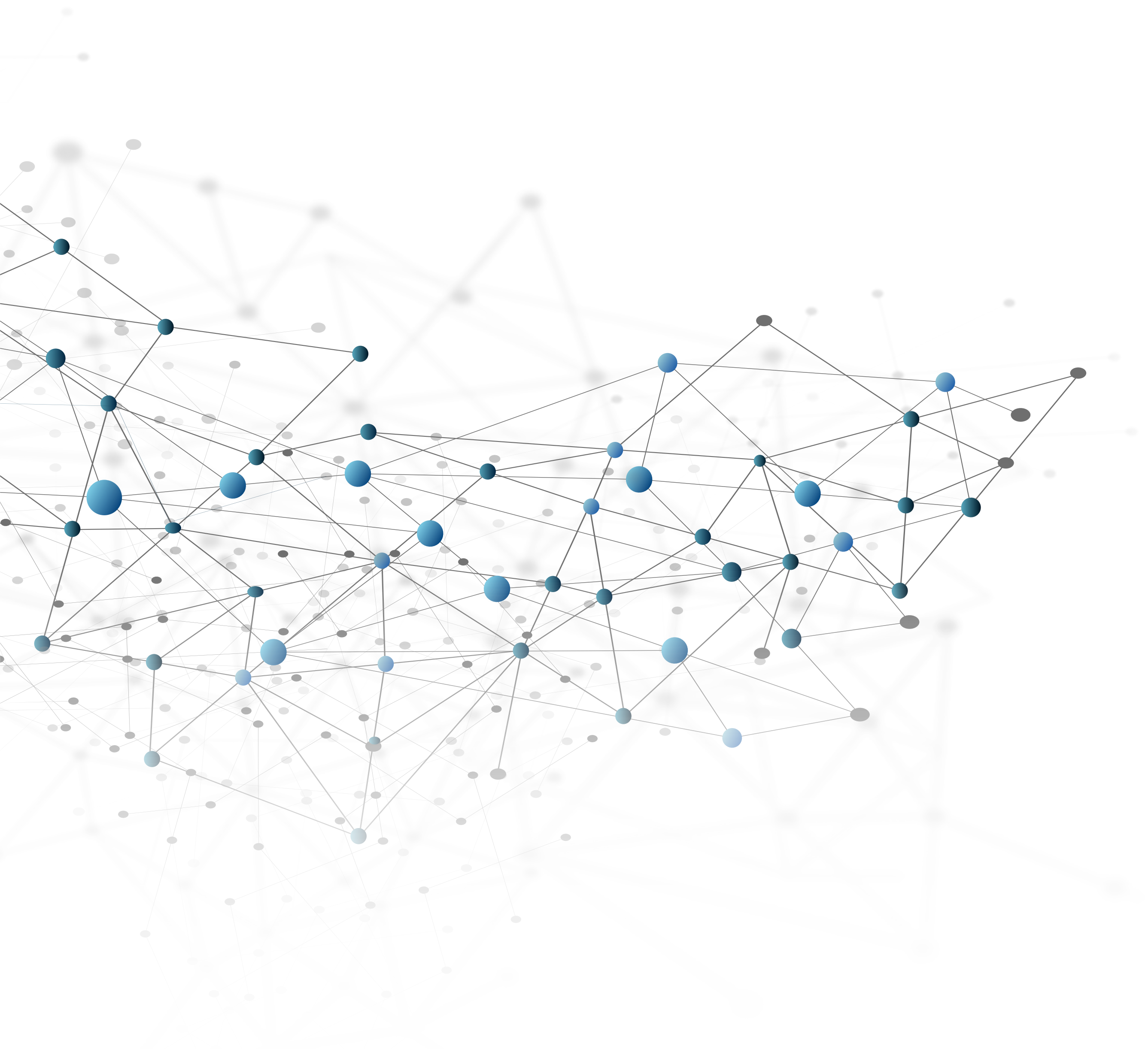
True Partner Capital Holding



Third Quarterly Report 2022

True Partner Capital Holding Limited

Incorporated under the laws of the Cayman Islands with limited liability

Stock code : 8657

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the "**Directors**" or individually a "**Director**") of True Partner Capital Holding Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

Corporate overview

Established in 2010, by a team of former market makers, True Partner Capital Holding is a specialised hedge fund manager

Focused on volatility trading in liquid markets, principally in equity index futures, options and ETFs

Diversified **global investor base** across our products

Stable and experienced management: key personnel have worked together for almost a decade

Specialised segment of asset management with **a history of growth**

3-T Model – Combination of **advanced technology** with **experienced team** covering **specialised trading strategies**

Global coverage to enable **trading around the clock**, with offices in Asia, the US and Europe

The Company benefits from **proprietary technology** that shapes its trading approach and includes a range of modules and tools

Potential **growth opportunities** in adjacent market segments leveraging **scalable investment platform**

Contents

Corporate information

Board of Directors

Executive Directors
Ralph Paul Johan van Put
(Chairman and Chief Executive Officer)
Godefriedus Jelte Heijboer
Tobias Benjamin Hekster
Roy van Bakel

Independent Non-executive Directors
Jeronimus Mattheus Tielman
Wan Ting Pai
Ming Tak Ngai

Audit committee

Wan Ting Pai *(Chairwoman)*
Jeronimus Mattheus Tielman
Ming Tak Ngai

Remuneration committee

Wan Ting Pai *(Chairwoman)*
Ralph Paul Johan van Put
Godefriedus Jelte Heijboer
Jeronimus Mattheus Tielman
Ming Tak Ngai

Nomination committee

Wan Ting Pai *(Chairwoman)*
Ralph Paul Johan van Put
Godefriedus Jelte Heijboer
Jeronimus Mattheus Tielman
Ming Tak Ngai

Company secretary

Siow Grace Yuet Chew
ACG, HKACG

Authorised representatives

Ralph Paul Johan van Put
Godefriedus Jelte Heijboer

Compliance officer

Roy van Bakel

Compliance adviser

Alliance Capital Partners Limited

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Harbour City
Kowloon
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Cayman Islands principal share registrar and transfer office

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71 Fort Street
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George Town
Grand Cayman KY1-1106
Cayman Islands

Hong Kong branch share registrar and transfer office

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17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Legal advisers

As to Hong Kong law:
Kwok Yih & Chan

As to Cayman Islands law:
Appleby

As to U.S. law:
Thompson Coburn LLP

Auditor

PKF Hong Kong Limited
Certified Public Accountants
26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay, Hong Kong

Principal banker

DBS Bank (Hong Kong) Limited

Stock code

8657

Company website

www.truepartnercapital.com
(contents of this website do not form part of this report)

Results

Third Quarterly Report 2022

The board of Directors (the "**Board**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together as the "**Group**") for the nine months ended 30 September 2022 (the "**Reporting Period**") together with the unaudited comparative figures of the corresponding period in 2021 as set out below:

Selected financial highlights

	Nine months ended 30 September		
	2022 (HK$'000) (Unaudited)	2021 (HK$'000) (Unaudited)	% Change
Total Revenue	**35,493**	42,780	(17)
Revenue from fund management business	**35,061**	42,399	(17)
Revenue from consultancy services	**432**	381	13
Gross profit	**32,669**	37,938	(14)
Operating loss *Note 1*	**(20,936)**	(13,894)	(51)
Loss for the period	**(22,548)**	(17,815)	(27)
Loss attributable to owners of the Company	**(22,676)**	(18,071)	(25)
Total comprehensive loss	**(21,341)**	(18,297)	(17)
Loss per share (HK cents) – Basic and diluted *Note 2*	**(5.67)**	(4.52)	(25)

Notes:

1. Operating loss represents loss before income tax adding back fair value loss on financial assets at fair value through profit or loss, finance costs, share of results of associates and gain on dilution of interest in an associate.
2. The calculation of the basic loss per share amount is based on the loss for the period attributable to owners of the Company of HK$22,676,000 (2021: HK$18,071,000), and the weighted average number of ordinary shares of 400,000,000 shares in issue during the period. Diluted loss per share for the period ended 30 September 2022 and 2021 is the same as the basic loss per share as the effect of the conversion of the Company's share options would result in an antidilutive effect on the loss per share.

Selected business and financial highlights

- The nine months ended 30 September 2022 was for the most part characterised by a somewhat unusual combination of declining equity markets but limited reactivity from equity index volatility. Fixed strike volatilities have generally traded in a narrow range, while realised volatility has been close to long-run averages in most markets.

- Equity markets were impacted by inter-linked concerns over inflation, rising interest rates, the Russia-Ukraine conflict and economic growth, which arrived in a context of historically high asset valuations.

- The MSCI World Total Return Hedged to US Dollars ("**MSCI World**") finished the Reporting Period with a loss of -21.4%, giving back its 2021 gains. The MSCI World had a negative return in each of Q1 (-4.5%), Q2 (-14.1%) and Q3 (-4.2%). However, the MSCI World remains up over +40% over the 5 years to 30 September 2022, while the S&P 500 Total Return is up over +50% over the same 5 year period.

- The Bloomberg Global Government Bond Index Hedged to US Dollars (the "**Global Government Bond Index**") was down -10.1% over the Reporting Period. Like equities, government bonds had a negative return in each of Q1 (-4.2%), Q2 (-3.6%) and Q3 (-2.6%). The Global Government Bond Index has now only delivered a small positive return of +3.2% over 5 years to 30 September 2022, underperforming cash.[1]

- The reaction from equity index volatility to the equity drawdown was somewhat subdued, particularly relative to moves seen in asset classes such as fixed income, FX and credit. The subdued reaction from equity index volatility during the Reporting Period was strongly contrasting to the experience during the equity drawdown in Q1 2020. For reference, earlier in the Q1 2020 drawdown, when markets had reached a decline of a similar magnitude to the 2022 equity drawdown, implied volatilities had already seen significant increases on a same-strike basis, i.e. comparing options with specific strike prices, whereas the market declines in 2022 so far had not generated any meaningful volatility changes.

- In general, negative quarters for equities have been associated with positive environments for our strategies. For example, looking at the eleven negative quarters for the MSCI World since the inception of the True Partner Fund, the Group's longest running product, the True Partner Fund has had an average quarterly return of +6.1% in these negative quarters as compared to an average quarterly loss of -8.6% for the MSCI World in these periods. The True Partner Fund has been positive in nine of these eleven quarters, with

1. Based on a comparison with the Barclays Benchmark Overnight USD Cash Index (BXIIBUS0 Index).

a maximum return of +23.3% and a minimum return of -2.6%. Such opportunities have been driven by the response of options markets to equity declines, with market moves typically leading to attractive volatility opportunities for our strategies. We did not see this kind of response from options markets in the Reporting Period, with limited shifts despite the overall equity declines. This led to relatively few alpha opportunities.

- Prior to the Reporting Period, the last time equities had a notably negative period was Q1 2020, when the MSCI World was down -19.8% and with an over 30% decline from its peak on 19 February 2020 to its trough on 23 March 2020. This was a strongly positive environment for our strategies, with the True Partner Fund returning +13.3% in Q1 2020. The Reporting Period has been unusual in that despite the losses in equity markets, we have seen a gradual decline in indices and a limited reaction from equity index volatility.

- One striking feature of the market environment during the Reporting Period is that despite the losses in the MSCI World and other major indices such as the S&P 500, it was not necessarily a good period for strategies that seek long protection on equity indices. One way to illustrate this is to compare the returns of two indices that simulate the returns of a long position in the S&P 500 Total Return Index with hedges implemented via options.

- We focus on the S&P 500 because US equities are by some way the largest component of the MSCI World index and because there are readily available indices calculated by third parties that provide a transparent point of comparison. The first index, the CBOE S&P 500 5% Put Protection Index[2] (the "**Put Protection Index**") is a simulated strategy that holds a long position in the S&P 500 and also systematically buys 5% out of the money put options on the S&P 500 according to a set schedule. The second index, the VIX Tail Hedge Index, combines a long position in the S&P 500 with a long position in call options on the VIX, the most widely followed volatility index. The VIX option positions are designed to benefit from a jump in implied volatility. The returns of a basket of the Put Protection Index and the VIX Tail Hedge Index relative to the S&P 500 TR can serve as an illustration of the relative costs and benefits of holding downside protection on US equities.

- Over the Reporting Period, the S&P 500 TR was down -23.9%, the Put Protection Index was down -20.8% and the VIX Tail Hedge Index was down -28.2%. The average of the Put Protection Index and the VIX Tail Hedge Index was therefore a return of -24.5%. This is marginally worse than the return of the S&P 500 TR without any protection (-23.9%). Based on this comparison, holding options positions designed to provide protection

2. Indices are references for illustrative purposes only and no opinions are expressed or representations made regarding the indices. Sources: Bloomberg, True Partner against equity declines did not make a material impact on returns. Our strategies are absolute return and alpha focused, and as such are materially different to both the Put Protection Index and the VIX Tail Hedge Index, but we believe such examples can help to illustrate the unusual nature of the environment over the Reporting Period and the lack of movement in implied volatility.

– Notwithstanding the analysis above, popular measures of at-the-money implied volatility rose over the Reporting Period. The VIX index rose from 17.2 to 20.6 in Q1, from 20.6 to 28.7 in Q2 and from 28.7 to 31.6 in Q3. A similar measure for the Euro Stoxx 50, the VSTOXX Index, rose from 19.3 to 29.0 in Q1 and was then little changed in Q2, rising from 29.0 to 29.8, and in Q3, rising from 29.8 to 30.7. The equivalent measure in the Japanese Nikkei rose from 19.2 to 22.0 in Q1, from 22.0 to 23.4 in Q2 and then from 23.4 to 26.3 in Q3. The equivalent measure in the Korean Kospi 200 index rose from 16.5 to 17.1 in Q1, from 17.1 to 23.9 in Q2 and from 23.9 to 27.2 in Q3. These measures provide a snapshot of implied volatility at different points in time but are not directly tradable. Importantly, these indices are based on baskets of options whose composition can change significantly over time. Consequently, the index values can change by simply referencing different options, without any change in the implied volatilities of the underlying options themselves.[3]

– Another way of illustrating changes in implied volatility that we believe is helpful is to look at the implied volatility of individual options over time. For example, one can observe the implied volatility of an option that ended 30 September 2022 close to 'at-the-money' ("**ATM**"), i.e. which had a strike price similar to the level of the S&P 500 index at the end of 30 September 2022 and which also has a relatively nearby expiry. We choose an ATM option with a relatively nearby expiry as this part of the market tends to have particularly high liquidity. The S&P 500 finished 30 September 2022 at 3,585.6. Looking at the 18 November 2022 expiry S&P 500 put with a strike of 3600, this option approximately halved in value over the Reporting Period, while its implied volatility was roughly unchanged over the whole period, moving from 30.1 to 29.8 (based on mid-prices). Over the full year the implied volatility of the option has traded in less than 5-point range. For reference, in March 2020 we saw some S&P 500 options trade in approximately 50-point ranges.

– Another way of looking at tradable options values is to look at derivatives of volatility indices. Of the various indices cited above, the VIX has the most liquid derivatives market, via VIX futures and options. While the VIX index rose over the first quarter, VIX derivatives painted a more mixed picture. During Q1 VIX April 2022 expiry futures declined from 24.7 to 23.5

3. The metrics used are the VIX for the US, VSTOXX for the Euro Stoxx 50, the Nikkei Stock Average Volatility Index and the Kospi 200 Volatility Index. Indices are referenced for illustrative purposes only and no opinions are expressed or representations made regarding the indices. Sources: Bloomberg, True Partner

4. The ETF referenced is the ProShares VIX Short-Term Futures ETF. Information provided for illustrative purposes only; no opinions are expressed or representations made regarding the ETF. Sources: Bloomberg, True Partner while VIX July 2022 expiry futures were little changed, moving from 26.2 to 26.1. VIX April 2022 expiry futures expired in April 2022, so we focus on VIX July 2022 expiries over Q2. Over Q2 VIX July 2022 expiry futures rose from 26.1 to 28.6. VIX July 2022 expiry futures expired in July 2022, so over Q3 we focus on VIX October expiry futures. Over Q3 VIX October expiry futures rose from 29.8 to 31.5. Net, we can see that VIX futures, the tradable expression of the VIX, had a much more modest rise over the Reporting Period than the underlying VIX index. Over the Reporting Period, an ETF that buys and rolls VIX short-term futures rose by +12.7%, as compared to a loss of -72.4% in 2021.[4]

- This backdrop made for a more challenging period for our index volatility trading than might be supposed from the headline equity index returns and news flow over the Reporting Period. The Group's trading strategies are predominantly relative value in nature, but historically have seen their best performance in periods of falling equity markets and rising volatility. The subdued reaction in equity index volatility during the equity drawdown in the Reporting Period resulted in relatively few opportunities, particularly in Q1 2022. As a result, the Reporting Period was overall somewhat challenging for our relative value volatility trading strategy. The strategy had small losses in Q1 2022 and Q3 2022, partially offset by a small gain in Q2 2022.[5]

- As we have highlighted in both positive and negative periods of performance, investment performance in any given short time period can fluctuate around the long-term average based on the prevailing market opportunities. Investors in the Group's products typically focus on long-term investment performance as a key metric as they are generally seeking to invest with a longer-term horizon. When considering the whole period from its inception in July 2011 through 30 September 2022, the True Partner Fund, the Group's longest running fund product has outperformed both the CBOE Eurekahedge Relative Value Volatility Hedge Fund Index and the CBOE Long Volatility Hedge Index in absolute terms and has outperformed each of the CBOE Eurekahedge Relative Value Volatility Hedge Fund Index, the CBOE Long Volatility Hedge Fund Index and the CBOE Eurekahedge Short Volatility Hedge Fund Index in alpha terms.[6] Over the same inception to date period, considering the whole period from July 2011 through 30 September 2022, our longest running fund product has also outperformed the Eurekahedge Asset Weighted Hedge Fund Index, a broad index of hedge fund performance, in both absolute terms and in alpha terms.

- The Group's assets under management were relatively stable during the Reporting Period, rising modestly. Assets under management were also higher

5. This material is not in any way intended to solicit investment in our fund products or managed accounts. Our fund products and managed accounts are only available to appropriately qualified investors and are not marketed in certain jurisdictions. The performance of certain fund products the Group regards as relevant to shareholders is disclosed to the Exchange on a voluntary basis monthly. Performance of certain fund products is also reported to Bloomberg and certain databases of hedge fund performance.

6. The Group considers these indices to be relevant benchmarks of peer performance as they are comprised of hedge funds trading different types of volatility strategies. However, index data is provided for illustrative purposes only and no representations are made regarding any indices referenced in this report. The Group accepts no liability for any misuse of this data by third parties.

relative to the comparable period in 2021. Assets under management were US$1,708 million as of 30 September 2022 as compared to US$1,665 million as of 30 September 2021 and US$1,675 million as of 31 December 2021. Growth in assets under management over the Reporting Period was driven by positive net inflows, partially offset by the effects of negative investment performance. Similarly, the growth in assets under management over the period from 30 September 2021 to 30 September 2022 was driven by positive net inflows, partially offset by the effects of negative investment performance.

– Revenues for the Reporting Period were HK$35.5 million. As compared to revenues of HK$42.8 million for the nine months ended 30 September 2021. The decrease in revenue was primarily due to shifts in product mix over the Reporting Period. Revenue per unit of assets under management can vary as a result of a number of factors. Individual fund products and managed accounts[7] can have different fee structures due to differences in the nature and sizes of the mandates and other factors. When comparing the period for the Reporting Period to the nine months ended 30 September 2021, the assets under management in managed accounts increased relative to the assets under management in fund products. Over the period from 30 September 2021 to 30 September 2022, net inflows were positive into managed accounts and negative in fund products, resulting in an overall net increase in assets under management. Inflows were also driven by larger clients. Overall, the effects of this included that the expected relative contribution of management fees and performance fees to revenues per unit of assets under management became more focused on performance fees and less focused on management fees. The combination of these factors led to a decrease in the average revenue per unit of assets under management for the Reporting Period as compared to the nine months ended 30 September 2021.

– General and administrative expenses were HK$53.6 million in the Reporting Period, as compared to HK$51.8 million for the nine months ended 30 September 2021. The increase in expenses was primarily due to an increase in staff cost as the overall number of personnel was higher in 2022 as compared to 2021. Other drivers of increased expense included IT expenses and administrative expenses as the Group has been working on the expansion of its operations in Europe and Asia in line with the use of proceeds outlined in the prospectus of the Company dated 30 September 2020 (the "**Prospectus**").

7. The Group manages or advises on both fund products and other investment mandates. For the purposes of this report, fund products launched by the Group or co-branded with the Group where a subsidiary of the Group is the investment manager or sub-investment manager are grouped under "fund vehicles"; other mandates are grouped under "managed accounts".

– The Group's loss before income tax was HK$22.3 million in the Reporting Period, as compared to HK$15.8 million in the comparable period in 2021. Loss attributable to owners of the Company was HK$22.7 million in the Reporting Period (after tax), as compared to HK$18.1 million in the comparable period in 2021.

– During the Reporting Period, the Group has continued to actively use technology to enhance its marketing efforts. Over this period the team actively engaged with investors and prospects through regular webinars, on a one-on-one basis and through engagements via third parties. The Group also arranged for senior personnel of the Group to participate in leading industry conferences both in Europe and the US. These principally took place during the second and third quarters of 2022 and provided valuable opportunities for in-person interaction with investors and prospects. The Group also continued to engage with investors and prospects via newsletters and more in-depth pieces.

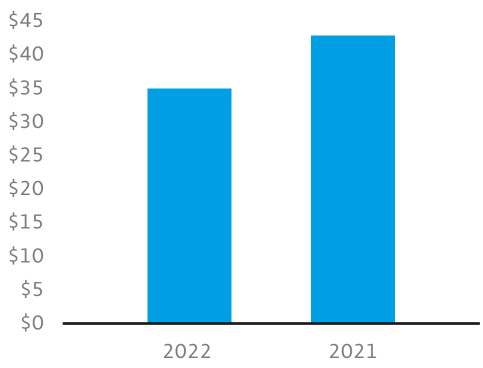
– During the Reporting Period, the Group has also been working on the expansion of its operations in Europe and Asia in line with the use of proceeds outlined in Prospectus. This has included working through the process of obtaining an investment firm licence from the Authority Financial Market ("**AFM**") in the Netherlands. The licence was granted on 24 March 2022. On 24 August 2022, the China Securities Regulatory Commission ("**CSRC**") granted True Partner Advisor Limited ("**TPA**") the Qualified Foreign Institutional Investor ("**QFII**") licence. The QFII license allows the Group greater access to China's domestic capital markets, which include some of the largest and most liquid in the world. Subject to local market factors, this will allow the Group to apply its investment expertise to China's domestic capital markets, potentially including investment strategies currently implemented mostly outside of China. As part of the expansion, the Group has also continued to expand its technology and marketing teams.

– In addition, on 15 February 2022, the Group completed the acquisition of 49% of True Partner Advisor Hong Kong Limited ("**TPAHK**"). After the acquisition, the Group obtained full ownership of TPAHK. The Board is of the opinion that such full ownership allows the Group to further utilise this licensed asset management company in expanding current investment mandates and potentially obtaining additional investment mandates and as such enhance the return to the shareholders of the Company.

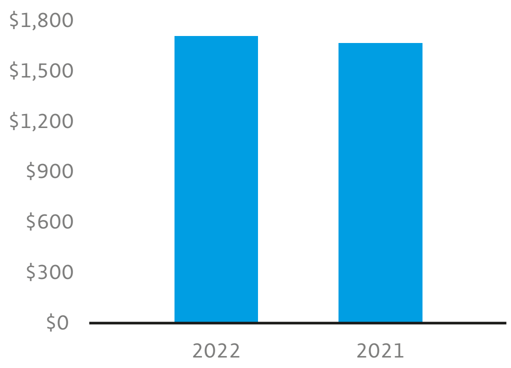
Selected financial highlights

(In HK$ millions as of 30 September 2022 unless stated, with comparison to 30 September 2021)

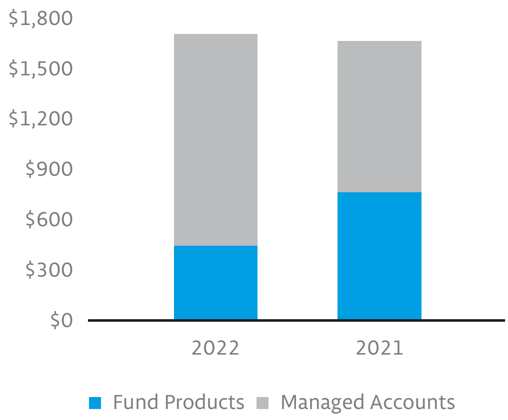
Revenues



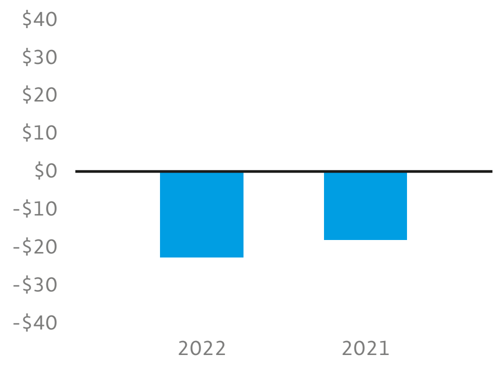
Assets under management ("AUM") (US$ millions) [8]



Breakdown of AUM by Product Type (US$ millions) [6]

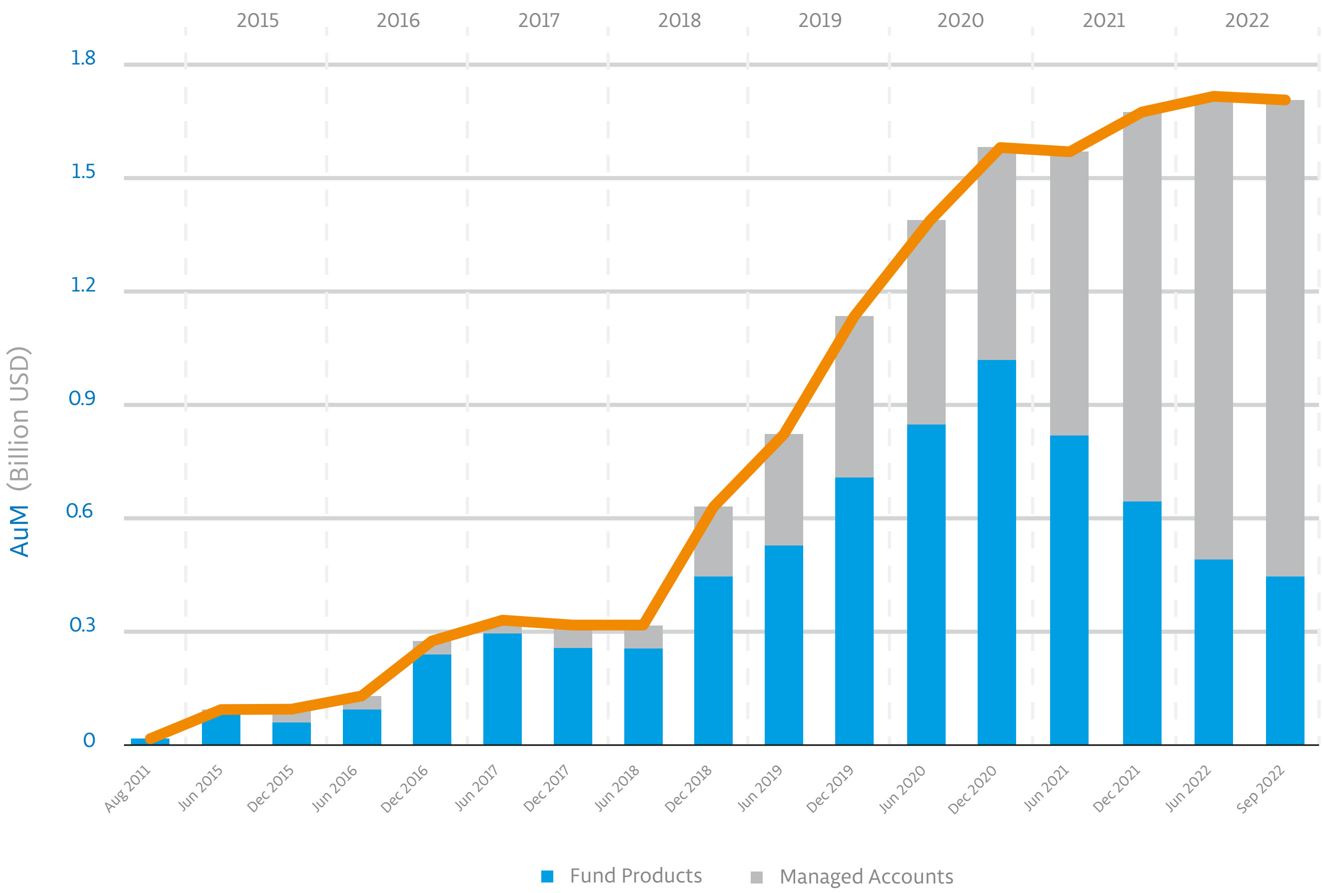


Loss attributable to owners of the Company



8. The Group manages or advises on both fund products and other investment mandates. For the purposes of this report, commingled fund products launched by the Group or co-branded with the Group where a subsidiary of the Group is the investment manager or sub-investment manager are grouped under "fund vehicles"; other mandates are grouped under "managed accounts". As of 30 September 2022, the Group's managed accounts deploy the Group's relative value trading strategy either on a standalone basis or in combination with customised trading strategies.

Earnings power and operating leverage



Management discussion and analysis

Business review

The Company is a Hong Kong and US based fund management group with a focus on volatility trading in liquid markets. The Company and its subsidiaries (together as the "**Group**") manages funds and managed accounts on a discretionary basis using a global volatility relative value trading strategy and other volatility strategies developed by the Group. These principally involve the active trading of liquid exchange listed derivatives (including equity index options, large cap single stock options, as well as futures, exchange traded funds and equities) across major markets (including the U.S., Europe and Asia) and different time zones. Our trading decisions are supported by our in-house proprietary trading platform (embedded with option pricing and volatility surface models) designed for our specific way of trading and which enables real-time pricing of implied volatilities, quantitative comparisons, risk management as well as speedy execution of trades. Our team's collective expertise and specialised knowledge in options and volatility trading is the foundation of our proprietary trading technology.

Our firm AUM is US$1,708 million as of 30 September 2022 and we currently manage or advise on both fund products and managed accounts.[5] Our longest running fund product was launched in July 2011 and was later restructured into a master-feeder structure to facilitate investments from US taxable investors. In 2016 we launched a further fund, which is similarly structured, but with a trading strategy which has a long volatility bias. Together with International Asset Management ("**IAM**"), we made our strategy available in UCITS format in June 2019, with the launch of a co-branded fund product for which a subsidiary of the Group is the sub-investment manager and IAM is the investment manager. IAM was founded in 1989 and is one of the oldest independent asset management firms specialising in hedge funds and alternative UCITS investments. Assets under management relating to these fund products are grouped together as "fund vehicles" above and below. In addition to funds launched by us or co-branded with us, we also enter into investment management mandates with third parties who allocate a sub-fund of their umbrella fund or a portion of their assets to be managed by us. While such arrangements may have different underlying structures in accordance with client preferences, for simplicity we group assets under management relating to these mandates under "managed accounts" above and below.

As of 30 September 2022, our AUM comprised of US$447 million in commingled fund products (including funds where the Group is a sub-investment manager) and US$1,261 million in managed accounts or similar arrangements, including fund-of-one structures. The investors in funds and accounts managed or advised by us are mainly professional investors, including collective investment undertakings, family offices, pension funds, endowments/foundations, financial institutions and high net worth individuals. As of 30 September 2022, our AUM included mandates deploying our relative value strategy and other volatility strategies developed by the Group.

Market environment

The nine months ended 30 September 2022 were for the most part characterised by a somewhat unusual combination of declining equity markets but limited reactivity from equity index volatility. Fixed strike volatilities have generally traded in a narrow range, while realised volatility has been close to long-run averages in most markets.

Equity markets were impacted by inter-linked concerns over inflation, rising interest rates, the Russia-Ukraine conflict and economic growth, which arrived in a context of historically high asset valuations.

The MSCI World Total Return Hedged to US Dollars ("**MSCI World**") finished the Reporting Period with a loss of -21.4%, giving back its 2021 gains. The MSCI World had a negative return in each of Q1 (-4.5%), Q2 (-14.1%) and Q3 (-4.2%). However, the MSCI World remains up over +40% over the 5 years to 30 September 2022, while the S&P 500 Total Return is up over +50% over the same 5-year period.

Over the Reporting Period the US 10-year bond yield rose from 1.51% as of 31 December 2021 to 3.83% as of 30 September 2022. The German 10-year bond yield rose from -0.18% as of 31 December 2021 to 2.11% as of 30 September 2022. The Japanese 10-year bond yield remained within a much narrower range, rising from 0.07% as of 31 December 2021 to 0.24% as of 30 September 2022, reflecting the continuation of a stimulatory monetary policy stance from the Bank of Japan. The general rise in yields was reflected in negative bond returns for broad government indices. For example, the Bloomberg Global Government Bond Index Hedged to US Dollars (the "**Global Government Bond Index**") was down -10.1% over the Reporting Period. Like equities, government bonds had a negative return in each of Q1 (-4.2%), Q2 (-3.6%) and Q3 (-2.6%). The Global Government Bond Index has now only delivered a small positive cumulative return of +3.2% over the 5 years to 30 September 2022, underperforming cash.[9]

The US dollar rose substantially over the Reporting Period, particularly relative to the Japanese yen, largely in response to the very different monetary policy stances of the US Federal Reserve and the Bank of Japan. The Dollar Index, reflecting the value of the US dollar against a basket of currencies, rose from 95.67 as of 31 December 2021 to 112.12 as of 30 September 2022, a rise of 17.2%. The Dollar Index has a weight of over 50% to the euro, with weights of between 10% and 15% to the Japanese yen and the British pound. Other currencies have smaller weights, specifically, the Canadian dollar, the Swedish krona and the Swiss franc.[2]

The reaction from equity index volatility to the equity drawdown was somewhat subdued, particularly relative to moves seen in asset classes such as fixed income, FX and credit. The subdued reaction from equity index volatility in Reporting Period was strongly contrasting to the experience during the equity drawdown in Q1 2020. For reference, earlier in the Q1 2020 drawdown, when markets had reached a decline of a similar magnitude to the 2022 equity drawdown, implied volatilities had already seen significant increases on a same-strike basis, i.e. comparing options with specific strike prices, whereas the market declines in 2022 so far had not generated any meaningful volatility changes.

One striking feature of the market environment during the Reporting Period is that despite the losses in the MSCI World and other major indices such as the S&P 500, it was not necessarily a good period for strategies that seek to be long protection on equity indices. To illustrate this one can compare the returns of two indices that simulate the returns of a long position in the S&P 500 Total Return Index with option hedges. We focus on the S&P 500 because US equities are by some way the largest component of the MSCI World index and because there are readily available indices calculated by third parties that provide a transparent point of comparison. The first index, the CBOE S&P 500 5% Put Protection Index[2] (the "**Put Protection Index**") is a simulated strategy that holds a long position in the S&P 500 and also systematically buys 5% out of the money put options on the S&P 500 according to a set schedule. The second index, the VIX Tail Hedge Index, combines a long position in the S&P 500 with a long position in call options on the VIX, the most widely followed volatility index. The VIX option positions are designed to benefit from a jump in implied volatility.

9. Based on a comparison with the Barclays Benchmark Overnight USD Cash Index (BXIIBUS0 Index).

The returns of a basket of the Put Protection Index and the VIX Tail Hedge Index relative to the S&P 500 TR can serve as an illustration of the relative costs and benefits of holding downside protection on US equities. Over the Reporting Period, the S&P 500 TR was down -23.9%, the Put Protection Index was down -20.8% and the VIX Tail Hedge Index was down -28.2%. The average of the Put Protection Index and the VIX Tail Hedge Index was therefore a return of -24.5%, marginally worse than the return of the S&P 500 TR without any protection (-23.9%). Said another way, based on this comparison, holding options positions designed to provide protection against equity declines did not make a material impact on returns. Our strategies are absolute return and alpha focused and as such have material differences to both the Put Protection Index and the VIX Tail Hedge Index, but we believe such examples can help to illustrate the unusual nature of the environment over the Reporting Period and the lack of movement in implied volatility.

Notwithstanding the analysis above, popular measures of at-the-money implied volatility rose over the Reporting Period. The VIX index rose from 17.2 to 20.6 in Q1, from 20.6 to 28.7 in Q2 and from 28.7 to 31.6 in Q3. A similar measure for the Euro Stoxx 50, the VSTOXX Index, rose from 19.3 to 29.0 in Q1 and was then little changed in Q2, rising from 29.0 to 29.8, and in Q3, rising from 29.8 to 30.7. The equivalent measure in the Japanese Nikkei rose from 19.2 to 22.0 in Q1, from 22.0 to 23.4 in Q2 and then from 23.4 to 26.3 in Q3. The equivalent measure in the Korean Kospi 200 index rose from 16.5 to 17.1 in Q1, from 17.1 to 23.9 in Q2 and from 23.9 to 27.2 in Q3. These measures provide a snapshot of implied volatility at different points in time but are not directly tradable. Importantly, these indices are based on baskets of options whose composition can change significantly over time. Consequently, the index values can change by simply referencing different options, without any change in the implied volatilities of the underlying options themselves.[10]

Another way of illustrating changes in implied volatility that we believe is helpful is to look at the implied volatility of individual options over time. For example, one can observe the implied volatility of an option that ended 30 September 2022 close to ATM, i.e. which had a strike price similar to the level of the S&P 500 index at the end of 30 September 2022 and which also has a relatively nearby expiry. We choose an ATM option with a relatively nearby expiry as this part of the market tends to have particularly high liquidity. The S&P 500 finished 30 September 2022 at 3,585.6. Looking at the 18 November 2022 expiry S&P 500 put with a strike of 3600, this option approximately halved in value over the Reporting Period, while its implied volatility was roughly unchanged over the whole period, moving from 30.1 to 29.8 (based on mid-prices). Over the full year the implied volatility of the option has traded in less than 5-point range. For reference, in March 2020 we saw some S&P 500 options trade in approximately 50-point ranges.

Another way of looking at tradable options values is to look at derivatives of volatility indices. Of the various indices cited above, the VIX has the most liquid derivatives market, via VIX futures and options. While the VIX index rose over the first quarter, VIX derivatives painted a more mixed picture. During Q1 VIX April 2022 expiry futures declined from 24.7 to 23.5 while VIX July 2022 expiry futures were little changed, moving from 26.2 to 26.1. VIX April 2022 expiry futures expired in April 2022, so we focus on VIX July 2022 expiries over Q2. Over Q2 VIX July 2022 expiry futures rose from 26.1 to 28.6. VIX July 2022 expiry futures expired in July 2022, so over Q3 we focus on VIX October expiry futures. Over Q3 VIX October expiry futures rose from 29.8 to 31.5. Net, we can see that VIX futures, the tradable expression of the VIX, had a much more modest rise over the Reporting Period than the underlying VIX index. Over the Reporting Period, an ETF that buys and rolls VIX short-term futures rose by +12.7%, as compared to a loss of -72.4% in 2021.[11]

10. The metrics used are the VIX for the US, VSTOXX for the Euro Stoxx 50, the Nikkei Stock Average Volatility Index and the Kospi 200 Volatility Index.

11. The ETF referenced is the ProShares VIX Short-Term Futures ETF. Information provided for illustrative purposes only; no opinions are expressed or representations made regarding the ETF. Sources: Bloomberg, True Partner

Investment performance

In general, negative quarters for equities have been associated with positive environments for our strategies. For example, looking at the eleven negative quarters for the MSCI World since the inception of the True Partner Fund, the Group's longest running product, the True Partner Fund has had an average quarterly return of +6.1% in these negative quarters as compared to an average quarterly loss of -8.6% for the MSCI World in these periods. The True Partner Fund has been positive in nine of these eleven quarters, with a maximum return of +23.3% and a minimum return of -2.6%. Such opportunities have been driven by the response of options markets to equity declines, with market moves typically leading to attractive volatility opportunities for our strategies. We did not see this kind of response from options markets in the Reporting Period, with limited shifts despite the overall equity declines. This led to relatively few alpha opportunities.

Prior to the Reporting Period, the last time equities had a notably negative period was Q1 2020, when the MSCI World was down -19.8% and with an over 30% decline from its peak on 19 February 2020 to its trough on 23 March 2020. This was a strongly positive environment for our strategies, with the True Partner Fund returning +13.3% in Q1 2020. As discussed above, this was a period where a large equity decline was also accompanied by significant shifts in equity index implied volatility, including notable moves in fixed strike volatility. The Reporting Period has been unusual in that despite the losses in equity markets, we have seen a gradual decline in indices and a limited reaction from equity index volatility.

The market backdrop made for a more challenging period for our index volatility trading than might be supposed from the headline equity index returns and news flow over the Reporting Period. The Group's trading strategies are predominantly relative value in nature, but historically have seen their best performance in periods of falling equity markets and rising volatility. The subdued reaction in equity index volatility during the equity drawdown in the Reporting Period resulted in relatively few opportunities, particularly in Q1 2022. As a result, the Reporting Period was overall somewhat challenging for our relative value volatility trading strategy. The strategy had small losses in Q1 2022 and Q3 2022, partially offset by a small gain in Q2 2022.[5]

As we have highlighted in both positive and negative periods of performance, investment performance in any given short time period can fluctuate around the long-term average based on the prevailing market opportunities. Investors in the Group's products typically focus on long-term investment performance as a key metric as they are generally seeking to invest with a longer-term horizon. When considering the whole period from its inception in July 2011 through 30 September 2022, the True Partner Fund, the Group's longest running fund product has outperformed both the CBOE Eurekahedge Relative Value Volatility Hedge Fund Index and the CBOE Long Volatility Hedge Index in absolute terms and has outperformed each of the CBOE Eurekahedge Relative Value Volatility Hedge Fund Index, the CBOE Long Volatility Hedge Fund Index and the CBOE Eurekahedge Short Volatility Hedge Fund Index in alpha terms.[6] Over the same inception to date period, considering the whole period from July 2011 through 30 September 2022, our longest running fund product has also outperformed the Eurekahedge Asset Weighted Hedge Fund Index, a broad index of hedge fund performance, in both absolute terms and in alpha terms.

Financial performance

The Group's primary source of revenues is its fund management business. Fund management revenues are derived from both management fees and from performance fees. Revenues for the Reporting Period were HK$35.5 million as compared to revenues of HK$42.8 million for the nine months ended 30 September 2021. The decrease in revenue was primarily due to shifts in product mix over the Reporting Period. Revenue per unit of assets under management can vary as a result of a number of factors. Individual fund products and managed accounts can have different fee structures due to differences in the nature and sizes of the mandates and other factors. When comparing the Reporting Period to the nine months ended 30 September 2021, the assets under management in managed accounts increased relative to the assets under management in fund products. Net inflows were positive into managed accounts and negative in fund products, resulting in an overall net increase in assets under management. Inflows were also driven by larger clients. Overall, the effects of this included that the expected relative contribution of management fees and performance fees to revenues per unit of assets under management became more focused on performance fees and less focused on management fees. The combination of these factors led to a decrease in the average revenue per unit of assets under management for the Reporting Period as compared to the nine months ended 30 September 2021. The changes in product mix had an offsetting effect on the increase in assets under management, leading to the overall result that management fee revenues for the Reporting Period were lower than management fee revenues for the nine months ended 30 September 2021.

General and administrative expenses were HK$53.6 million in the Reporting Period, as compared to HK$51.8 million in the comparable period in 2021. The increase in expenses was primarily due to an increase in staff cost since the overall number of personnel was higher in the Reporting Period as compared to the nine months ended 30 September 2021. Other drivers of increased expense included IT expenses and administrative expenses as the Group has been working on the expansion of its operations in Europe and Asia in line with the use of proceeds outlined in the Prospectus.

The Group's loss before income tax was HK$22.3 million in the Reporting Period, as compared to HK$15.8 million in the comparable period in 2021. Loss attributable to owners of the Company was HK$22.7 million in the Reporting Period (after tax), as compared to HK$18.1 million in the comparable period in 2021. The Group's comprehensive loss attributable to owners of the Company was a loss of HK$21.5 million in the Reporting Period as compared to HK$18.6 million in the comparable period in 2021.

Assets Under Management

The Group reports its assets under management in US dollars.[12] US dollars are the base currency of most of the Group's fund vehicles and managed accounts. The Group had $1,708 million in assets under management as of 30 September 2022. As compared to $1,665 million in assets under management as of 30 September 2021, representing an increase of $43 million or 2.6%. Assets under management also had a small rise relative to the end of 2021 from $1,675 million as of 31 December 2021 to $1,708 million as of 30 September 2022. The increase relative to the end of the third quarter of 2021 and 31 December 2021 was driven by positive net inflows, partially offset by the effects of negative investment performance.

As of 30 September 2022, the Group had $447 million in assets under management in fund vehicles and $1,261 million in managed accounts. This compares to $762 million in assets under management in fund vehicles and $903 million in managed accounts as of 30 September 2021.

Business development activities

The Group has successfully adapted to the challenging conditions created by Covid-19, expanding its provision of digital content and making use of technology to engage with investors globally despite restrictions on in-person interactions and travel.

During the Reporting Period, the team has been actively engaged with investors and prospects through webinars, conferences and on a one-on-one basis. This included holding webinars for the True Partner Fund, participating in invitation-only industry conferences and various one-on-one meetings. As travel opened up in many parts of the world, we have been able to engage with investors in-person in each of Europe, the US and parts of Asia during the Reporting Period, in some countries for the first time since pre-Covid-19. These provided an opportunity to discuss the Fund's performance in 2021 and 2022 year-to-date and the team's perspective on the market outlook. Working in conjunction with IAM, with whom the Group has a partnership for the UCITS fund product for which we are sub-investment manager, we also held webinars for UCITS investors. The Group also continued to engage with investors and prospects via newsletters, ad hoc research pieces and other interactions. We have also been actively engaged with our capital introduction partners over the period.

The backdrop has been a somewhat challenging one, during which investors have had a lot of areas on which to focus as both equities, bond and several previous successful investment styles such as growth have had challenges amid macro shifts. The level of in-person interaction possible has also varied over time and across countries due to differing Covid-related restrictions. We have been pleased with the way the Group has been able to adapt to remain highly engaged with investors and prospects. With restrictions on travel also easing in Europe over the first half of the year, senior personnel were able to participate at leading in-person conferences during the second quarter of 2022. These included the London Volatility Investing Event in April 2022 in the UK, the Morgan Stanley Annual European Hedge Fund Forum in May 2022 in Spain and the Eurex Derivatives Forum in May 2022 in Germany. The engagement continued in the third quarter, with senior personnel participating in both the Global Volatility Summit in New York and the Amsterdam Investor Forum in the Netherlands in September 2022. The team also travelled to meet with

12. Figures for assets under management may include figures based on estimated net asset values for fund vehicles or managed accounts managed or advised by the Group clients and prospects in other countries too. These events and trips provided opportunities to see existing investors and prospects across multiple locations. The Group has also continued to actively use technology to continue its marketing efforts.

Over the Reporting Period, marketing and business development activities have continued to be impacted by the ongoing Covid-19 related regulations in Hong Kong. The regulations are designed to reduce the risks of Covid-19 but can also have other side effects. Anecdotal evidence from prospective investors suggests that the restrictive quarantine requirements have also been a significant hurdle to investors considering conducting onsite due diligence activities in Hong Kong. Most potential investors are based in the US and Europe, where onsite visits have again become the norm as Covid-19 related regulations and policies have been significantly relaxed or fully removed. The quarantine requirements also make it more challenging for Hong Kong based personnel to travel to meet investors in other parts of the world.

During the Reporting Period, the Group has also been working on the expansion of its operations in Europe and Asia. This has included working through the process of obtaining an investment firm licence from the AFM in the Netherlands. The licence was granted on 24 March 2022. This is an important step forward for the Group's structure and further strengthens our ability to efficiently execute trading strategies around the clock and to further develop our asset management offerings for European investors.

Technology developments

Our technology team remains focused on maintaining and incrementally further improving the key elements of our core proprietary systems, including the Typhoon Trader, our front-end trading system, Observatory, our real-time risk management system, Quant, our data warehouse and quantitative library, Solunar, our back-office system, and Nitro, which integrates our different modules into a centralised platform. During the Reporting Period, we have focused on further improving the stability, redundancy, and security of both our infrastructure and our proprietary technology. The team has also been working on other technology and quantitative research initiatives intended to further enhance our investment capabilities.

13. Comparing the S&P 500 to the TLT ETF = iShares 20+ Year Treasury Bond ETF.

14. Comparing the S&P 500 to the TLT ETF = iShares 20+ Year Treasury Bond ETF. Periods noted are 26-29 January 2021, 16 February to 4 March 2021, 10-12 May 2021 and 23-30 September 2021.

Market outlook

Our investment approach is quantitatively driven with a disciplined process that does not rely on macro forecasts. However, the overall environment is nevertheless an important backdrop. Below we provide some brief observations on the current macro environment and potential implications for investors' approaches to portfolios.

As we have argued in previous reports, we continue to believe that one important focus for many investors over the coming quarters will be the search for diversifying assets. As in the last quarterly report, we spend some time on the shifts in fixed income markets as we believe a shift in investor sentiment towards bonds has the potential both to increase investor demand for alternative diversifiers such as some volatility funds and to be a catalyst for more volatility in equity markets.

In the Group's annual report for 2020 we observed that over the period of 1980 to 2020, many investors had become accustomed to a negative correlation between equities and bonds during periods of equity sell-offs. We highlighted that the negative correlation between equities and bonds had been less reliable during the equity drawdown seen during the first half of 2020, with periods where equities and bonds had suffered losses at the same time. Most notably, this occurred from 10th to 18th March 2020, when an ETF investing in long-term US Treasuries fell -15.7% while the S&P 500 fell -12.7%.[13]

In the Group's 2021 annual report, we noted other examples of this shift. Focusing on the US, while there were also periods where equities had been negatively correlated to bonds, in each of late January, late February/ early March, mid-May and late September 2021 equities and bonds sold off together.[14] We highlighted that in a long-term context this was less unusual, recalling that in the 1970s equity and bond prices often fell together.

The losses experienced by government bonds over the Reporting Period were a further reminder that government bonds are not always negatively correlated with equity markets. Indeed, government bonds have experienced negative returns in each of the first quarter, the second quarter and the third quarter of 2022. The Bloomberg Global Government Aggregate Total Return Index Hedged to US Dollars was down -4.2% in the first quarter, -3.6% in the second quarter and -2.6% in the third quarter. Furthermore, the Global Government Bond Index has had a negative return in eight of the nine months of the Reporting Period. This includes a -2.1% return in April, a -1.1% return in June and a -2.5% return in September, the three worst months for the MSCI World.

Looking at US government bond markets specifically, the Bloomberg US Long Treasury Total Return Index (the "**US Long Treasury Index**") was down -28.8% during the Reporting Period, and also had losses in every eight of nine months over the period.[15] Bonds have historically often been used by investors as a diversifying asset that would be expected to gain during periods of significant losses for equities. During the Reporting Period, we observed quite different behaviour. The US Long Treasury Index had significant losses in each of the three worst months for the S&P 500 index over the Reporting Period, April 2022, June 2022 and September 2022. Indeed, the two worst months for the S&P 500, April and September, were also the two worst months for the US Long Treasury Index. As a result, we believe the behaviour of bonds over 2020 to 2022, and in particular during 2022, may lead to a reassessment of bonds by some investors.

Many commentators, including several sophisticated central bank economists and policy makers had initially

15. The index referenced is the Bloomberg US Long Treasury Total Return Index (ticker: LUTLTRUU Index). References to indices are provided for illustrative purposes only. No opinions are expressed or representations made regarding any indices referenced in this report and the Group accepts no liability for any misuse of this data by third parties.

expected inflation to be transitory. At that time, we had been noting in our outlook conversations that it could be a more persistent phenomenon. During the first quarter of 2022, we noted that it had become broadly accepted that inflation was more persistent and that a tightening of financial conditions, principally through shifts in monetary policy such as increases in interest rates and reductions in asset purchases, would be required to reduce inflationary pressures. During the Reporting Period overall, we saw a meaningful change in rhetoric from the US Federal Reserve and several other central banks, and a significant repricing of interest rate expectations in 2022 and 2023.

One illustration of the shift in expectations is available from the Federal Open Market Committee ("**FOMC**") 'dot plot', the economic projections submitted by the Federal Reserve Board Members and Federal Reserve Bank presidents and published on a set schedule by the US Federal Reserve. The projections released following the December 2021 FOMC meeting showed a median projection for the midpoint of the target range for the Federal Funds Rate of 0.9% at the end of 2022 and 1.6% at the end of 2023. By the time of the March 2022 meeting, for which data was released on 17 March 2022, these projections had increased to 1.9% and 2.8% respectively. At the June FOMC meeting, for which data was released on 15 June 2022, these projections increased further, to 3.4% for end-December 2022 and 3.8% for end-December 2023. By the time of the September FOMC meeting, for which data was released on 21 September 2022, the projection for end-December 2022 had risen to 4.4% and for end-December 2023 to 4.6%.[16]

The change in view compared to the start of the year was exemplified by articles such as that published in mid-March by Minneapolis Federal Reserve President Neel Kashkari. Kashkari, a highly respected figure with experience in the private sector, in government and in central banking, had previously argued that inflation would be transitory. In his thoughtful piece he explained that:

> *"When inflation accelerated last year, I argued that it was likely due to transitory factors which would soon pass. That hasn't happened. This essay lays out the basic arguments I made then, the data that has come since, what I got wrong, and the potential implications for monetary policy."* [17]

In our interim report for 2022, we noted that following the June 2022 FOMC meeting, markets had increasingly begun to price in easing of policy in 2023, predicting a peak in rates in the first half of 2023 and cuts in the second half of 2023. We also noted that real bond yields, as reflected in inflation-linked bonds, also remained relatively low by historical standards, particularly in Europe where for example German 10-year inflation-linked bonds had a yield of -0.69% at the end of June 2022. Negative real yields have been common during the period of ultra-low interest rates and quantitative easing, but we warned that in a return to a more 'normal' policy environment we could see a significant shift higher from current levels. We concluded that:

> *"Net, we believe there remains significant potential for investors to be surprised by the persistence of inflation and the responses of central banks and consumers… we believe there is strong potential for inflation, monetary policy and bond dynamics to meaningfully impact equity markets going forward."*

16. Source: Federal Reserve

17. https://www.minneapolisfed.org/article/2022/update-on-inflation-and-monetary-policy, published 18 March 2022

As noted above, since then we have indeed seen investors to be repeatedly surprised by continued high inflation, which has led to expectations of increased rate hikes and helped drive correlated sell-offs in equities and bonds during the third quarter of 2022, particularly in September 2022 as noted above. We also noted that we expected this dynamic to lead to *"volatility that we believe could lead to attractive relative value opportunities"*. The translation from macro dynamics to the volatility opportunity set is not always straightforward but we are still waiting for this next step of the expected process. As of the time of writing we have seen higher volatility in fixed income and FX markets, but not yet the expected feed-through to increased equity index volatility and in particular a wider trading range for fixed strike volatility. However, the levels of volatility in fixed income and FX, combined with increased perceptions of risk evident from metrics such as widening credit spreads, increase our confidence that equity index volatility has strong potential to 'catch up' and to provide attractive relative value opportunities for our trading. Market history, be it Q1 2020, prior events over the Group's history, or earlier events our co-CIOs traded through such as the 2008 crisis, teaches us that market dynamics can change very quickly, and that volatility can jump suddenly.

Shifting focus, the Russia-Ukraine conflict continues to exert a tragic human cost. The conflict and policy response are resulting in significant impacts on certain commodity markets, particularly energy costs in Europe. Second round effects on other products are evident through increased input costs and in wage negotiations. Such effects appear likely to persist, even as base effects shift over time and potentially reduce headline inflation numbers. The conflict is of course also clearly a source of unpredictable geopolitical risks which could create sudden volatility in financial markets.

As we have noted before, with government bonds typically being utilised as the "safer" portion of many traditional portfolios, the recent behaviour of bond yields and path ahead raises challenges for asset allocation. Higher bond yields can also make equities look less attractive on a relative basis, particularly stocks whose valuations are most dependent on growth many years from now, as we have seen this year. This had already impacted equity market valuations this year and could continue to do so. Rising cost pressures may also impact corporate margins and thus profitability. We have already begun to see earnings and outlook disappointments from several major companies.

The worst outcome could be a 'stagflation' type scenario, where inflation proves persistent even if growth slows to low levels. This could be negative for both equities and bonds. Such a scenario may produce volatile market conditions that could provide opportunities for certain volatility strategies.

As noted briefly above, the rise in bond yields also increases the discount rate applied to projected earnings many years away. We have already seen this impact perceived high growth stocks with low current profitability, but which had commanded hefty valuation multiples based on expectations of strong profits at some point several years in the future. When the discount rate increases, future profits become less valuable today, and this can lead to changes in perceptions of value. We believe this process could have more widespread impacts. We also see risks in property markets, which can be highly linked to economic growth and systemic risks. With mortgage rates having risen substantially from historically low levels in several key markets, affordability has declined and with cash rates rising substantially, property rental yields that appeared attractive in an environment of close to zero rates may no longer be so appealing.

Despite all these macro concerns, as of late October 2022 30-day at-the-money equity index implied volatilities across the key markets traded by the Group were around long-term averages in several markets, including the Euro Stoxx 50 and Japan's Nikkei. Where implied volatility was above long-run averages, it was generally below measures of recent realised volatility.[18]

Some cross-asset metrics also suggest to us that equity index volatility may have so far under-reacted relative to other asset classes. For example, our analysis suggests that the VIX Index, which measures implied volatility in US equity markets, is at an unusually low level relative to its typical relationship with the MOVE Index, which is a weighted average measure of implied volatility in US Treasury markets. We also perceive an 'under-reaction' of equity index volatility when we look at relationships between equity index volatility and credit spreads.[19] While the relatively contained behaviour of realised volatility in equity indices is a partially explanatory variable for this spread, it also suggests to us that if a surprise occurs, equity index volatility, both realised and implied, could move significantly higher, 'catching up' to other asset classes.

Overall, we believe there is significant potential for equity index volatility to see much more interesting behaviour over the next 12 months than it has seen over the last 12 months. This leaves us optimistic on the outlook.

Of course, timing markets is difficult, and unusual valuations and market behaviour can sometimes persist for longer than one expects. Our investment approach is absolute return, and we aim to profit in a range of market environments. Nevertheless, we believe that the current environment represents an opportunity for investors to consider their portfolio construction approach and long-term asset allocation. Alternative diversifiers including hedge funds and strategies such as volatility trading could be beneficiaries of this. Our relative value volatility strategy has historically generated positive long-term absolute returns with a negative correlation to equity markets. Additional strategies we have developed for customised solutions are also expected to have opportunities in environments of strongly negative equity returns, which could make them attractive diversifiers for existing and potential clients. Over the Reporting Period we have seen increasing interest in such discussions. Should we see a shift away from bonds and towards alternative diversifiers such as hedge funds and customised mandates, our products could be well placed to benefit from increased investor demand for this kind of exposure.

18. Sources: True Partner, Bloomberg. Averages are based on 2006 to 2022 data.

19. Sources: True Partner, Bloomberg

Financial review

Revenue

During the Reporting Period, revenue of the Group amounted to HK$35.5 million, representing a decrease of HK$7.3 million, or approximately 17% as compared with HK$42.8 million for the corresponding period in 2021. The decrease in revenue was primarily due to shifts in product mix over the period, which led to a decrease in the average revenue per unit of assets under management for the Reporting Period.

Gross profit and gross profit margin

Gross profit of the Group for the Reporting Period was HK$32.7 million, representing a decrease of HK$5.3 million or 14% from HK$37.9 million for the corresponding period in 2021. The decrease was primarily driven by a decrease in the average revenue per unit of assets under management for the Reporting Period.

General and administrative expenses

General and administrative expense of the Group for the Reporting Period amounted to HK$53.6 million, representing an increase of HK$1.8 million or approximately 3% from HK$51.8 million over the corresponding period in 2021. This was primarily due to an increase in staff cost, IT expense and administrative expense as the Group has been working on the expansion of its operations in Europe and Asia.

Share of results of associates

Share of results of associates represents operating losses arising from principal business activities of two associates - Capital True Partner Technology Co., Ltd. and Holland & Muh Investment Management Co., Ltd. ("**Holland & Muh**"). For the Reporting Period, share of loss of associate of the Group amounted to approximately HK$399,000, representing an increased loss of HK$335,000 or approximately increased loss of 523% for the corresponding period in 2021. This was primarily due to the worse business activity performance of the two associates impacted by less favourable market conditions.

Finance costs

Finance costs mainly represent interest expense on lease liabilities. For the Reporting Period, finance cost of the Group amounted to approximately HK$137,000, representing an increase of HK$69,000 or approximately increase of 101% for the corresponding period in 2021. This was primarily due to interest expense.

Dividends

The Board does not recommend the payment of any dividend in respect of the nine months ended 30 September 2022 (nine months ended 30 September 2021: Nil).

Exempted connected transactions: Material acquisitions and disposals of subsidiaries and associated companies

(a) Acquisition of 49% equity interest in True Partner Advisor Hong Kong Limited ("TPAHK")

On 11 November 2021, a wholly owned subsidiary of the Company – True Partner Advisor Limited ("**TPA**") entered into the acquisition agreement, pursuant to which Capital Futures Corp. ("**CFC**") agreed to sell, and TPA agreed to purchase the sale shares which represents 49% of equity interest in TPAHK at the consideration of HK$14,252,729. The acquisition was completed on 15 February 2022. For more information on the acquisition, please refer to the Company's announcements dated 11 November 2021, 15 November 2021 and 15 February 2022 respectively.

The Board is of the opinion that, obtaining full ownership of TPAHK by means of the acquisition, is beneficial to the Group. Such full ownership allows the Group to further utilise this licensed asset management company in expanding current investment mandates and potentially obtaining additional investment mandates and as such enhance return to the shareholders of the Company. The acquisition is therefore considered by the Board to be a good opportunity to optimise the Group's asset management activities and expand the Group's existing business opportunities.

(b) Disposal of 2.73% equity interest in CSC Futures (HK) Limited ("CSCHK")

On 11 November 2021, a wholly owned subsidiary of the Company – True Partner Holding Limited ("**TPH**") entered into the disposal agreement, pursuant to which TPH agreed to sell, and CFC agreed to purchase the disposal shares which represents 2.73% of equity interest in CSCHK at the consideration of HK$6,616,200. The disposal was completed on 15 February 2022. For more information on the disposal, please refer to the Company's announcements dated 11 November 2021, 15 November 2021 and 15 February 2022 respectively.

The Board is of the view that ownership of a minority stake in a Hong Kong brokerage and proprietary trading firm is no longer conducive and is not congruent with its long-term goal of further expansion of the Group's asset management activities. The application of the proceeds from the disposal in future investment and business expansions or addition thereof to the Group's working capital will be beneficial to the overall development of the Group.

CFC, the counterparty to the acquisition and disposal mentioned above, is interested in 49% of the equity interest in TPAHK, a subsidiary of the Company, CFC is therefore a connected person at the subsidiary level under GEM Listing Rule 20.07(1). The Directors (including the independent non-executive Directors) have confirmed that the terms of the acquisition of 49% equity interest in TPAHK and the disposal of 2.73% equity interest in CSCHK are fair and reasonable, and that they are on normal commercial terms or better, and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. As such, pursuant to Rule 20.99 of the GEM Listing Rules, the acquisition and the disposal are only subject to reporting and announcement requirements, and are exempted from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Company has complied with the disclosure requirements under Chapter 20 of the GEM Listing Rules.

Except for the above, the Group had no other material acquisition or disposal of subsidiaries and associated companies for the nine months ended 30 September 2022.

More information

Directors' and chief executive's interests and short positions in the shares, underlying shares or debentures of the company and its associated corporations

As at 30 September 2022, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long Positions in the Shares

Name of Director/ Chief Executives	Capacity/Nature of Interest	Number of Ordinary Shares held	Approximate percentage of interest
Tobias Benjamin Hekster	Beneficial owner	57,745,018	14.43%
Godefriedus Jelte Heijboer	Beneficial owner	56,049,644	14.01%
Ralph Paul Johan van Put (1)	Interest in a controlled corporation	58,337,399	14.58%
Roy van Bakel (2)	Interest in a controlled corporation	27,686,280	6.92%

Notes:

(1) The Shares were held by True Partner Participation Limited. True Partner Participation Limited is wholly owned by Mr. Ralph Paul Johan van Put. Mr. Ralph Paul Johan van Put is deemed to be interested in all the Shares held by True Partner Participation Limited under the SFO.

(2) The Shares were held by Red Seven Investment Ltd. Red Seven Investment Ltd is wholly owned by Mr. Roy van Bakel. Mr. Roy van Bakel is deemed to be interested in all the Shares held by Red Seven Investment Ltd under the SFO.

Save as disclosed above, as at 30 September 2022, none of the Directors nor chief executives of the Company had or was deemed to have any other interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under Section 352 of the SFO; or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

Substantial shareholders' interests and short positions in the shares, underlying shares or debentures of the Company

So far as is known to the Directors, as at 30 September 2022, the following persons/ entities (other than Directors or chief executive of the Company) had, or were deemed to have, interests or short positions (directly or indirectly) in the Shares or underlying Shares of the Company that would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long Positions in the Shares

Name of Shareholders	Capacity/Nature of Interest	Number of Ordinary Shares held	Approximate percentage of interest
Franca Kurpershoek-Hekster (1)	Interest of spouse	57,745,018	14.43%
Wong Rosa Maria (2)	Interest of spouse	56,049,644	14.01%
True Partner Participation Limited	Beneficial owner	58,337,399	14.58%
Kung Yun Ching (3)	Interest of spouse	58,337,399	14.58%
True Partner International Limited (4)	Beneficial owner	62,122,908	15.53%
DSS Financial Management, Inc. (4)	Interest in a controlled corporation	62,122,908	15.53%
DSS Securities, Inc. (4)	Interest in a controlled corporation	62,122,908	15.53%

Long Positions in the Shares (cont'd)

Name of Shareholders	Capacity/Nature of Interest	Number of Ordinary Shares held	Approximate percentage of interest
DSS, Inc. (4)	Interest in a controlled corporation	62,122,908	15.53%
Chan Heng Fai Ambrose (4)	Interest in a controlled corporation	62,122,908	15.53%
Chan Kong Yoke Keow (5)	Interest of spouse	62,122,908	15.53%
Edo Bordoni	Beneficial owner	29,839,153	7.46%
Anne Joy Bordoni (6)	Interest of spouse	29,839,153	7.46%
Red Seven Investment Ltd	Beneficial owner	27,686,280	6.92%
Maria Victoria Diaz Basilio (7)	Interest of spouse	27,686,280	6.92%
Nardinc Beheer B.V.	Beneficial owner	36,196,000	9.04%
SomethingEls B.V. (8)	Interest in a controlled corporation	36,196,000	9.04%
ERMA B.V. (8)	Interest in a controlled corporation	36,196,000	9.04%
Dasym Managed Accounts B.V. (8)	Investment manager	36,196,000	9.04%
F.J. Botman Holding B.V. (8)	Interest in a controlled corporation	36,196,000	9.04%
Franciscus Johannes Botman (8)	Interest in a controlled corporation	36,196,000	9.04%

Notes:

(1) Mrs. Franca Kurpershoek-Hekster is the spouse of Mr. Tobias Benjamin Hekster, an executive Director, and Mr. Tobias Benjamin Hekster holds 14.43% in True Partner Capital Holding Limited. By virtue of the SFO, Mrs. Franca Kurpershoek-Hekster is deemed to be interested in the same number of Shares in which Mr. Tobias Benjamin Hekster is deemed to be interested in under the SFO.

(2) Mrs. Wong Rosa Maria is the spouse of Mr. Godefriedus Jelte Heijboer, an executive Director, and Mr. Godefriedus Jelte Heijboer holds 14.01% in True Partner Capital Holding Limited. By virtue of the SFO, Mrs. Wong Rosa Maria is deemed to be interested in the same number of Shares in which Mr. Godefriedus Jelte Heijboer is deemed to be interested in under the SFO.

(3) Mrs. Kung Yun Ching is the spouse of Mr. Ralph Paul Johan van Put, the chairman and executive Director and True Partner Participation Limited is wholly owned by Mr. Ralph Paul Johan van Put. True Partner

Participation Limited holds 14.58% in True Partner Capital Holding Limited. By virtue of the SFO, Mrs. Kung Yun Ching is deemed to be interested in the same number of Shares in which Mr. Ralph Paul Johan van Put and True Partner Participation Limited are deemed to be interested in under the SFO.

(4) True Partner International Limited is a wholly owned subsidiary of DSS Financial Management, Inc. DSS Financial Management, Inc. is wholly owned by DSS Securities, Inc., which is wholly owned by DSS, Inc. DSS, Inc. is 58.58% owned by Mr. Chan Heng Fai Ambrose. True Partner International Limited holds 15.53% in True Partner Capital Holding Limited. By virtue of the SFO, Mr. Chan Heng Fai Ambrose is deemed to be interested in the Shares held by True Partner International Limited under the SFO.

(5) Mrs. Chan Kong Yoke Keow is the spouse of Mr. Chan Heng Fai Ambrose and Mr. Chan Heng Fai Ambrose is deemed to be interested in 15.53% in True Partner Capital Holding Limited per note (4) above. By virtue of the SFO, Mrs. Chan Kong Yoke Keow is deemed to be interested in the same number of Shares in which Mr. Chan Heng Fai Ambrose is deemed to be interested in under the SFO.

(6) Mrs. Anne Joy Bordoni is the spouse of Mr. Edo Bordoni and Mr. Edo Bordoni holds 7.46% in True Partner Capital Holding Limited. By virtue of the SFO, Mrs. Anne Joy Bordoni is deemed to be interested in the same number of Shares in which Mr. Edo Bordoni is deemed to be interested in under the SFO.

(7) Mrs. Maria Victoria Diaz Basilio is the spouse of Mr. Roy van Bakel, an executive Director and Red Seven Investment Ltd is wholly owned by Mr. Roy van Bakel. Red Seven Investment Ltd holds 6.92% in True Partner Capital Holding Limited. By virtue of the SFO, Mrs. Maria Victoria Diaz Basilio is deemed to be interested in the same number of Shares in which Mr. Roy van Bakel and Red Seven Investment Ltd are deemed to be interested in under the SFO.

(8) Each of SomethingEls B.V. and ERMA B.V. holds 50% interest in Nardinc Beheer B.V. By virtue of the SFO, SomethingEls B.V. and ERMA B.V. are deemed to be interested in the Shares held by Nardinc Beheer B.V. under the SFO. Dasym Managed Accounts B.V., as investment manager, is 90.1% owned by F.J. Botman Holding B.V. which in turn is wholly owned by Mr. Franciscus Johannes Botman. By virtue of the SFO, Dasym Managed Accounts B.V., F.J. Botman Holding B.V. and Mr. Franciscus Johannes Botman are deemed to be interested in the Shares held by Nardinc Beheer B.V. under the SFO.

Save as disclosed above, as at 30 September 2022, the Directors were not aware of any other persons/entities (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interest or short positions in the Shares or underlying Shares of the Company would fall to be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

Share Option Scheme

Pre-IPO Share Option Scheme

A pre-IPO share option scheme was adopted and approved by the then shareholders of the Company on 13 February 2020 (the "**Pre-IPO Share Option Scheme**"). The purpose of the Pre-IPO Share Option Scheme is to recognise and acknowledge the contributions made by certain employees of the Group to the growth of the Group by granting options to them as rewards and further incentives. For more information, please refer to the section of "Directors' Report" in the Group's annual report for the year ended 31 December 2021 (the "**Annual Report 2021**").

As at 1 January 2022 and 30 September 2022, 7,947,488 share options remained outstanding. No share option was granted, exercised, lapsed or forfeited during the nine months ended 30 September 2022.

Share Option Scheme

A share option scheme was adopted and approved by the then shareholders of the Company on 22 September 2020 (the "**Share Option Scheme**"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. The principal terms of the Share Option Scheme are summarised in the section of "Directors' Report" in the Annual Report 2021. No share option has been granted by the Company pursuant to the Share Option Scheme since its adoption and up to the date of this report.

Interests in competing business

None of the Directors or the substantial Shareholders (as defined in the GEM Listing Rules) of the Company (the "**Substantial Shareholders**") or their respective close associates (as defined in the GEM Listing Rules) has interests in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group and any other conflicts of interest which any such person has or may have with the Group for the nine months ended 30 September 2022 and up to the date of this report.

Interest of the compliance adviser

As notified by Alliance Capital Partners Limited ("**Alliance Capital**"), compliance adviser of the Company, neither Alliance Capital nor any of its close associates (as defined in the GEM Listing Rules) and none of the directors or employees of Alliance Capital had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 September 2022.

The compliance adviser's appointment is for a period commencing on 16 October 2020 (i.e. the Listing Date) and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the dispatch of its annual report of the financial results for the second full financial year commencing after the date of initial listing of the Shares on the GEM (the "**Listing**"), or until the compliance adviser agreement is terminated in accordance with its terms and conditions, whichever is earlier. Pursuant to the compliance adviser agreement, Alliance Capital receives fees for acting as the Company's compliance adviser.

Code of corporate governance practices

The Group has adopted the principles and code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules. To the best knowledge of the Directors, except for the deviation from code provision C.2.1 of the CG Code, the Group has no material deviation from the CG Code.

Code provision C.2.1 of the CG Code stipulates that the roles of the chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Ralph Paul Johan van Put currently holds the positions of the chairman of the Board and the chief executive officer of the Company. Mr. Ralph Paul Johan van Put has been the key leadership figure of the Group who has been primarily involved in the strategic development and determination of the overall direction of the Group. He has also been directly supervising the senior management of the Group. Taking into account of the above, the Directors consider that the vesting of the roles of chairman and chief executive officer in Mr. Ralph Paul Johan van Put provides a strong leadership to the Group and is beneficial and in the interests of the Company and its Shareholders as a whole. Therefore, the Directors consider that the deviation from the code provision C.2.1 of the CG Code is appropriate in such circumstance. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

To ensure check and balance of power and authority on the Board, individuals with a broad range of expertise and experience are on the Board as independent non-executive Directors to offer independent and differing advice and monitor the operations of the Board, including corporate governance aspects of functioning of the Board.

The Company regularly reviews its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

Directors' securities transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors (the **"Code of Conduct"**) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, all Directors have confirmed that they had fully complied with the Code of Conduct during the nine months ended 30 September 2022.

Purchase, sale or redemption of the company's listed securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the nine months ended 30 September 2022.

Audit Committee

The Company established an audit committee (the **"Audit Committee"**) with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules and code provision D.3.3 and D.3.7 of the CG Code. The primary duties of the Audit Committee mainly include (i) making recommendations to the Board on the appointment and removal of external auditors; (ii) reviewing and supervising the financial statements and material advice in respect of financial reporting; (iii) overseeing internal control procedures; (iv) supervising internal control and risk management systems of the Group; and (v) monitoring continuing connected transactions (if any); and (vi) reviewing arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The members of the Audit Committee include three independent non-executive Directors, namely Ms. Wan Ting Pai, Mr. Jeronimus Mattheus Tielman and Mr. Ming Tak Ngai. Ms. Wan Ting Pai is the chairwoman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial results of the Company for the nine months ended 30 September 2022 and is of the opinion that such results have been complied with the applicable accounting standards and the requirements under the GEM Listing Rules, and that adequate disclosures have been made.

By order of the Board
True Partner Capital Holding Limited

Ralph Paul Johan van Put
Chairman and Chief Executive Officer

Hong Kong, 14 November 2022

As at the date of this report, the Board comprises Mr. Ralph Paul Johan van Put, Mr. Godefriedus Jelte Heijboer, Mr. Tobias Benjamin Hekster and Mr. Roy van Bakel, each as an executive Director and Mr. Jeroen M. Tielman, Ms. Jasmine Wan Ting Pai and Mr. Michael Ngai Ming Tak, each as an independent non-executive Director.

This report will remain on the website of the Stock Exchange at www.hkexnews.hk on the "Latest Listed Company Information" page for a minimum period of seven days from the date of its publication. This report will also be published on the Company's website at www.truepartnercapital.com.

In the case of inconsistency, the English text of this report shall prevail over the Chinese text.

Unaudited condensed consolidated statement of profit or loss and other comprehensive income

For the nine and three months ended 30 September 2022

The board of Directors (the "**Board**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together as the "**Group**") for the nine and three months ended 30 September 2022 (the "**Reporting Period**") together with the unaudited comparative figures of the corresponding period in 2021 as set out below:

		Nine months ended 30 September		***Three months ended 30 September***	
	Note	***2022***	*2021*	***2022***	*2021*
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Revenue	4	**35,493**	42,780	**10,497**	13,506
Other income		**39**	3	**23**	2
Direct costs		**(2,823)**	(4,842)	**(668)**	(1,558)
Fair value loss on financial assets at fair value through profit or loss		**(835)**	(1,881)	**(408)**	(307)
General and administrative expenses		**(53,645)**	(51,835)	**(17,698)**	(17,743)
Finance costs		**(137)**	(68)	**(53)**	(23)
Gain on dilution of interest in an associate		**–**	90	**–**	–
Share of results of associates		**(399)**	(64)	**(98)**	53
Loss before income tax	5	**(22,307)**	(15,817)	**(8,405)**	(6,070)
Income tax expense	6	**(241)**	(1,998)	**(83)**	(649)
Loss for the period		**(22,548)**	(17,815)	**(8,488)**	(6,719)
Other comprehensive income/(loss)					
Item that will be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		**(1,702)**	(482)	**(900)**	(364)
Item that will not be reclassified to profit or loss:					
Fair value gain on financial assets designated at fair value through other comprehensive income		**2,909**	–	**–**	–
Other comprehensive income/(loss)		**1,207**	(482)	**(900)**	(364)
Total comprehensive loss for the period		**(21,341)**	(18,297)	**(9,388)**	(7,083)

For the nine and three months ended 30 September 2022

	Note	Nine months ended 30 September		Three months ended 30 September	
		2022	2021	**2022**	2021
		HK$'000	HK$'000	**HK$'000**	HK$'000
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Loss for the period attributable to:					
Owners of the Company		**(22,676)**	(18,071)	**(8,488)**	(6,810)
Non-controlling interest		**128**	256	**–**	91
		(22,548)	(17,815)	**(8,488)**	(6,719)
Total comprehensive loss for the period attributable to:					
Owners of the Company		**(21,469)**	(18,553)	**(9,388)**	(7,174)
Non-controlling interest		**128**	256	**–**	91
		(21,341)	(18,297)	**(9,388)**	(7,083)
Loss per share (HK cents)					
- Basic and diluted	8	**(5.67)**	(4.52)	**(2.12)**	(1.70)

Unaudited condensed consolidated statement of changes in equity

For the nine months ended 30 September 2022

			Reserves									
	Share capital	*Share premium*	*Group reorganisation reserve*	*Exchange reserve*	*Fair value reserve (Notes (i))*	*Capital reserve (Notes (ii))*	*Share option reserve*	*Retained profits*	*Total*	*Non-controlling interests*	*Total equity*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1.1.2021 (audited)	4,000	153,074	1,145	11	(3,173)	7,234	486	68,661	231,438	5,265	236,703
Loss for the period	–	–	–	–	–	–	–	(18,071)	(18,071)	256	(17,815)
Other comprehensive loss	–	–	–	(482)	–	–	–	–	(482)	–	(482)
Total comprehensive loss for the period	–	–	–	(482)	–	–	–	(18,071)	(18,553)	256	(18,297)
Recognition of equity-settled share-based payment expense	–	–	–	–	–	–	1,481	–	1,481	–	1,481
Dividends recognised as distribution	–	–	–	–	–	–	–	(8,000)	(8,000)	–	(8,000)
At 30.9.2021 (unaudited)	**4,000**	**153,074**	**1,145**	**(471)**	**(3,173)**	**7,234**	**1,967**	**42,590**	**206,366**	**5,521**	**211,887**
At 1.1.2022 (audited)	4,000	153,074	1,145	(662)	(2,293)	7,234	2,479	34,641	199,618	5,798	205,416
Loss for the period	–	–	–	–	–	–	–	(22,676)	(22,676)	128	(22,548)
Other comprehensive (loss)/income	–	–	–	(1,702)	2,909	–	–	–	1,207	–	1,207
Total comprehensive loss for the period	–	–	–	(1,702)	2,909	–	–	(22,676)	(21,469)	128	(21,341)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	(8,327)	–	–	(8,327)	(5,926)	(14,253)
Transfer of gain on disposal of financial assets at fair value through other comprehensive income	–	–	–	–	(616)	–	–	616	–	–	–
Recognition of equity-settled share-based payment expense	–	–	–	–	–	–	1,538	–	1,538	–	1,538
At 30.9.2022 (unaudited)	**4,000**	**153,074**	**1,145**	**(2,364)**	**–**	**(1,093)**	**4,017**	**12,581**	**171,360**	**–**	**171,360**

Notes:

(i) Fair value reserve represents the cumulative net change in the fair value of financial assets at fair value through other comprehensive income.

(ii) Capital reserve represents equity transaction between the Group and the non-controlling interests in prior years.

1. Corporate information

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is located at the offices of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in fund management business and providing consultancy services.

The shares of the Company are listed on the GEM of The Stock Exchange of Hong Kong Limited on 16 October 2020.

2. Basis of preparation

The quarterly financial information has been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies adopted in preparing the quarterly financial information are consistent with those applied in the consolidated financial statements of the Group for the year ended 31 December 2021.

The quarterly financial information have been prepared on the historical cost basis, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are carried at fair value.

It should be noted that accounting estimates and assumptions are used in the preparation of the quarterly financial information. Although these estimates are based on the management's best knowledge and judgement to current events and actions, actual results may ultimately differ from those estimates.

3. Segment information

(a) Geographical information

The Company is domiciled in the Cayman Islands with the Group's major operations in Hong Kong. In order to maximise trading opportunities in different stock markets around the world, the Group also has trading offices in Chicago.

Geographical information of revenue for the nine and three months ended 30 September 2022 and 2021, is as follows:

	Nine months ended 30 September		Three months ended 30 September	
	2022 HK$'000 (Unaudited)	2021 HK$'000 (Unaudited)	**2022 HK$'000 (Unaudited)**	2021 HK$'000 (Unaudited)
Hong Kong	**28,822**	30,046	**8,105**	9,840
Chicago	**6,671**	12,734	**2,392**	3,666
	35,493	42,780	**10,497**	13,506

(b) Information about major customers

For the nine and three months ended 30 September 2022 and 2021, revenue from major customers who contributed over 10% of the total revenue of the Group are as follows:

	Nine months ended 30 September		Three months ended 30 September	
	2022 HK$'000 (Unaudited)	2021 HK$'000 (Unaudited)	**2022 HK$'000 (Unaudited)**	2021 HK$'000 (Unaudited)
Customer A	**13,099**	20,410	**3,543**	6,772
Customer B	**11,387**	NA(1)	**3,795**	NA(1)
Customer C	**5,717**	12,734	**1,438**	3,666
Customer D	**NA(1)**	5,863	**NA(1)**	1,887

(1) The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. Revenue

An analysis of the Group's revenue is as follows:

	Nine months ended 30 September		*Three months ended 30 September*	
	2022 HK$'000 (Unaudited)	*2021 HK$'000 (Unaudited)*	***2022 HK$'000 (Unaudited)***	*2021 HK$'000 (Unaudited)*
Revenue from funds and managed accounts				
Management fee income	**35,055**	42,399	**10,497**	13,506
Performance fee income	**6**	–	**–**	–
	35,061	42,399	**10,497**	13,506
Revenue from consultancy services	**432**	381	**–**	–
	35,493	42,780	**10,497**	13,506

Timing of revenue recognition:

	Nine months ended 30 September		*Three months ended 30 September*	
	2022 HK$'000 (Unaudited)	*2021 HK$'000 (Unaudited)*	***2022 HK$'000 (Unaudited)***	*2021 HK$'000 (Unaudited)*
At a point in time	**432**	381	**–**	–
Over time	**35,061**	42,399	**10,497**	13,506
	35,493	42,780	**10,497**	13,506

5. Loss before income tax

	Nine months ended 30 September		Three months ended 30 September	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Loss before income tax is arrived at after charging:				
Amortisation of intangible assets	**213**	48	**69**	27
Auditor's remuneration	**1,142**	922	**374**	307
Depreciation of plant and equipment	**1,121**	1,005	**353**	380
Depreciation of right-of-use assets	**1,280**	1,404	**394**	491
Short-term lease expenses	**587**	385	**208**	117
Employee benefits (including directors' remuneration)				
- Salaries and other benefits	**28,702**	26,981	**8,976**	9,077
- Equity-settled share-based payment expense	**1,538**	1,481	**513**	320
- Pension scheme contributions	**1,104**	1,088	**331**	287
	31,344	29,550	**9,820**	9,684
Exchange loss	**1,179**	418	**578**	216
Interest expense on lease liabilities	**102**	63	**45**	18

Note:

For the nine months ended 30 September 2022, the offered government grants from Employment Support Scheme under the Anti-epidemic Fund of HKSAR Government amounted to HK$275,200 (nine months ended 30 September 2021: Nil) have been offset against staff salaries.

6. Income tax expense

Income tax expense for the period represents:

	Nine months ended 30 September		Three months ended 30 September	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current tax - Hong Kong				
Provision for the period	**241**	1,998	**83**	649
Current tax - United States				
Provision for the period	**–**	–	**–**	–
	241	1,998	**83**	649

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which the group entities are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

For the group entities that are domiciled and operate in Hong Kong, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong during the period ended 30 September 2021, except for a subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

For the group entities that are domiciled and operate in the United States, they are subject to corporate income tax in the United States. The applicable federal income tax rate is 21% on taxable income and the applicable state income tax rate is 9.5% on state taxable income. No tax provision has been made on these group entities as there is no estimated taxable profits.

For the group entities that are domiciled and operate in the Netherlands, they are subject to corporate tax rate of 15% on taxable profits up to EUR395,000 (nine months ended 30 September 2021: EUR245,000). The corporate income tax rate is 25.8% for the taxable profits exceeding EUR395,000 (nine months ended 30 September 2021: 25% for the taxable profits exceeding EUR245,000). No tax provision has been made on these group entities as there is no estimated taxable profits.

For the group entity that is domiciled and operates in Singapore, it is subject to corporate tax rate of 17% on taxable profits. No tax provision has been made on this group entity as there is no estimated taxable profits.

During the nine months ended 30 September 2022, no share of tax attributable to associates (nine months ended 30 September 2021: Nil) was included in the share of results of associates.

7. Dividend

The Board does not recommend the payment of any dividend in respect of the nine months ended 30 September 2022 (nine months ended 30 September 2021: Nil).

8. Loss per share

The calculation of the basic loss per share amount is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 400,000,000 (nine months ended 30 September 2021: 400,000,000) shares in issue during the period.

The calculation of the basic and diluted loss per share is based on the following data:

	Nine months ended 30 September		*Three months ended 30 September*	
	2022	*2021*	***2022***	*2021*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss	***(Unaudited)***	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Loss for the period attributable to the owners of the Company	**(22,676)**	(18,071)	**(8,488)**	(6,810)

Number of shares	*Nine months ended 30 September*		*Three months ended 30 September*	
	2022	*2021*	***2022***	*2021*
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	**400,000,000**	400,000,000	**400,000,000**	400,000,000
Effect of dilution - weighted average number of ordinary shares: Share options - Note	**–**	–	**–**	–
	400,000,000	400,000,000	**400,000,000**	400,000,000

Note:

Diluted loss per share for the nine and three months ended 30 September 2022 is the same as the basic loss per share as the effect of the conversion of the Company's share options would result in an antidilutive effect on the loss per share (2021: diluted loss per share for the nine and three months ended 30 September 2021 is the same as the basic loss per share as the effect of the conversion of the Company's share options would result in an antidilutive effect on the loss per share).

9. Approval of the unaudited quarterly financial information

The unaudited quarterly financial information was approved and authorised for issue by the board of directors on 14 November 2022.