



LFG Investment Holdings Limited

LFG 投資控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 3938

INTERIM REPORT
2021/2022

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Corporate Information

DIRECTORS

Executive Directors

Mr. Mui Ho Cheung Gary
(Chairman and Chief Executive Officer)
Mr. Liu Chi Wai
Mr. Ng Siu Hin Stanley
Ms. Ho Sze Man Kristie
Mr. Tang Chun Fai Billy

Independent Non-executive Directors

Ms. Lim Yan Xin Reina
Mr. Poon Lai Yin Michael
Dr. Wong Ho Ki

AUDIT COMMITTEE

Ms. Lim Yan Xin Reina *(Chairlady)*
Mr. Poon Lai Yin Michael
Dr. Wong Ho Ki

REMUNERATION COMMITTEE

Mr. Poon Lai Yin Michael *(Chairman)*
Ms. Lim Yan Xin Reina
Dr. Wong Ho Ki

NOMINATION COMMITTEE

Mr. Mui Ho Cheung Gary *(Chairman)*
Ms. Lim Yan Xin Reina
Mr. Poon Lai Yin Michael
Dr. Wong Ho Ki

AUTHORISED REPRESENTATIVES

Mr. Mui Ho Cheung Gary
Mr. Ng Siu Hin Stanley

COMPANY SECRETARY

Mr. Lam Yau Lun

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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China Building
29 Queen's Road Central
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICER

Boardroom Share Registrars (HK) Limited
2103B, 21st Floor
148 Electric Road
North Point
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

Industrial and Commercial Bank of China (Asia) Limited
33rd Floor, ICBC Tower
3 Garden Road
Central, Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

COMPANY'S WEBSITE

www.legogroup.hk

STOCK CODE

3938

Management Discussion and Analysis

OVERVIEW

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

The shares of the Company (the “Shares”, each a “Share”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30 September 2019 (the “Listing”) by way of share offer with net proceeds of approximately HK\$99.1 million. The net proceeds from the Listing strengthen the Group’s financial position and enable the Group to pursue its business strategies to continue to grow and develop its businesses.

Following the Listing, the Group aims to utilise its established integrated financial service platform for providing a wide range of financial and securities services to its clients. The Group provides corporate finance advisory services including (i) acting as sponsor to companies seeking to list on the Main Board or GEM of the Stock Exchange; (ii) acting as financial adviser and independent financial adviser; and (iii) acting as compliance adviser. On the other hand, the Group also provides placing and underwriting services, securities dealing and brokerage services, securities financing services as well as asset management services to its clients.

Corporate finance advisory business remains the key business driver and the Group intends to leverage its ability to continually provide high-quality corporate finance advisory services to its clients. During the six months ended 30 September 2021 (the “Period”), the corporate finance advisory services have contributed a majority of the revenue of the Group.

Supported by the foundation built by the corporate finance advisory services, the Group continues to develop the securities and financing services and asset management services. During the Period, the Group has completed two transactions as the underwriter and/or placing agent for secondary market fundraising exercise. As at 30 September 2021, the asset under management amounted to approximately US\$9.3 million (equivalent to approximately HK\$72 million).

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

Management Discussion and Analysis (Continued)

REVIEW

Market Review

The global economy continued on the road of recovery since the outbreak of the novel coronavirus (COVID-19) in 2020. While certain countries have loosened travel restrictions with the implementation of the COVID-19 vaccine, other parts of the world continued to impose stringent travel restrictions which limit the ability to travel and conduct in-person meetings and economic activities. Global and Asia economy slowly recovers from standstill since COVID-19 was declared by World Health Organisation as a global pandemic on 11 March 2020. Despite the recovery of financial markets with most of the stock indices recouping their earlier losses in June 2020, Hong Kong's capital market activities remained weak and have yet to recover to the pre-pandemic level.

Global capital markets have reacted positively to the approval and wide acceptance of the vaccination programmes since December 2020. However, the initial benefit of the surge in fair value of its investments from the news have been reduced by the recent volatility of the market. Infections surged in a certain part of the world earlier this year and sparked renewed lockdowns and loomed over the prospect of recovery. The continual stringent regulatory environment and the uncertainties in the PRC property corporations further drive volatility in the capital market. The pace of the recovery on economic activities to pre-pandemic level remain to be seen.

The Group strives to maintain its profitability by prudence cost and capital management approach, and its comprehensive and diversified services offered to clients. The Group's strategy is well positioned to benefit from the recovery and its project pipeline remains resilient despite these challenges and was able to offset the slower economic activities with growth in corporate finance advisory services' income despite the setback in the investment fund. The Group's strong reputation for an excellent and high-performing team continues to provide support for recurring customers and auxiliary business. The Group also maintains sufficient financial resources and a strong balance sheet to fund its ongoing business requirements, operational and financial obligations. While the demand for corporate finance advisory and underwriting services in the industry and its business, which is dependable on the market conditions, was impacted by the uncertainties described above, the Group was still able to maintain its momentum and deal flow.

Business Review

Looking back on the past six months, the Group has achieved satisfactory results. During the Period, the Group was able to maintain its profitability while facing a challenging business environment and high market volatility. The Group leveraged its reputation and comprehensive range of service coverage and continues to diversify its income source and maintain a prudent cost and capital management strategy.

The Group continued to derive its revenue mainly from its corporate finance advisory services and securities and underwriting services during the Period, which accounted for approximately 82.5% and 17.0% (2020: approximately 33.3% and 28.1%) of the Group's total revenue, respectively. The Group's other businesses, namely (i) margin financing services; and (ii) asset management services and investment fund, accounted for approximately 7.9% and negative 7.4% (2020: approximately 5.9% and 32.7%) of its total revenue respectively during the Period.

Corporate Finance Advisory Services

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

Management Discussion and Analysis (Continued)

The Group's corporate finance advisory business recognised a significant increase in revenue of approximately 103.9%, from approximately HK\$20.5 million for the six months ended 30 September 2020 to approximately HK\$41.8 million during the Period. Such increase was mainly due to the contribution from a major customer of approximately HK\$19.7 million in relation to a general offer-related transaction.

During the Period, the Group was engaged in a total of 98 corporate finance advisory projects, which included 11 IPO sponsorship projects, 74 financial and independent financial advisory projects, and 13 compliance advisory projects, while we were engaged in a total of 116 corporate finance advisory projects, which included 15 IPO sponsorship projects, 82 financial and independent financial advisory projects and 19 compliance advisory projects during the six months ended 30 September 2020.

(i) *IPO sponsorship services*

During the Period, the Group was engaged in 11 IPO sponsorship projects (2020: 15 projects).

Revenue generated from IPO sponsorship services was approximately HK\$6.6 million during the Period. (2020: approximately HK\$7.5 million).

(ii) *Financial and independent financial advisory services*

The Group acts as (i) financial advisers to clients to advise them on the terms and structures of the proposed transactions, and the relevant implications and compliance matters under the Hong Kong regulatory framework including, among others, the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC (the "Takeovers Code"); or (ii) independent financial advisers to independent board committees and/or independent shareholders of listed companies in Hong Kong rendering recommendations and opinions.

Revenue generated from financial and independent financial advisory services was approximately HK\$32.7 million during the Period (2020: approximately HK\$9.3 million). During the Period, the Group was engaged in 49 financial advisory projects and 25 independent financial advisory projects (2020: 51 and 31, respectively).

(iii) *Compliance advisory services*

The Group acts as compliance advisers to listed companies in Hong Kong advising them on post-listing compliance matters in return for an advisory fee.

Revenue generated from compliance advisory services was approximately HK\$2.6 million during the Period (2020: approximately HK\$3.8 million). During the Period, the Group was engaged in 13 compliance advisory projects (2020: 19 projects).

Securities, Underwriting and Financing Services

The Group provides (i) placing and underwriting services by acting as global coordinator, bookrunner, lead manager, or underwriter for listing applicants in IPOs and underwriter or placing agent for secondary market transactions, in return for placing and/or underwriting commission income; (ii) securities dealing and brokerage services for trading in securities on the Stock Exchange and in other overseas markets; and (iii) securities financing services to its clients by providing margin financing for securities purchases on the secondary market and IPO financing for new share subscriptions in IPOs.

Management Discussion and Analysis (Continued)

During the Period, the Group recorded revenue from securities and underwriting business of approximately HK\$8.6 million (2020: approximately HK\$17.3 million). Such decrease was mainly due to decrease in placing and underwriting projects during the Period offset by increase in securities dealing and brokerage services. The Group did not complete any transaction as underwriter for IPOs and completed two transactions as the underwriter and/or placing agents for secondary market fundraising exercise (2020: four and nil, respectively). The revenue generated from securities dealing and brokerage was approximately HK\$7.7 million during the Period (2020: approximately HK\$2.3 million) as the securities trading activities by our clients increased during the Period.

As at 30 September 2021, the total outstanding balance of margin loans amounted to approximately HK\$129.3 million (31 March 2021: approximately HK\$97.0 million) and the interest income generated from margin financing services was approximately HK\$4.0 million during the Period (2020: approximately HK\$3.6 million).

Asset Management Services and Investment Fund

The Group provides fund management services to its clients.

As at 30 September 2021, the asset under management by the Group was approximately US\$9.3 million (equivalent to approximately HK\$72 million) (31 March 2021: approximately US\$9.9 million, or equivalent to approximately HK\$77 million). The revenue generated from asset management services was nil during the Period (2020: HK\$30,000).

The fund under management generated revenue of approximately negative HK\$3.7 million during the Period (2020: approximately HK\$20.1 million) arising from interest income from listed bonds, dividend income from listed securities and offset by net decrease in financial assets at fair value through profit or loss. Such decrease was mainly due to the market volatility during the Period which affected the performance of the fund under management.

Financial Review

Revenue

The total revenue of the Group decreased from approximately HK\$61.6 million for the six months ended 30 September 2020 to approximately HK\$50.7 million for the Period, representing a decrease of approximately 17.7%, mainly as a result of decrease in revenue from securities and underwriting services and investment fund, which was partly offset by increase in revenue of the corporate finance advisory services.

Other Income and Gains or Losses, Net

Other income and gains or losses, net increased to approximately HK\$6.4 million during the Period (2020: approximately negative HK\$7.6 million). Other income and gains or losses, net mainly includes interest income from bank deposits, foreign currency translation differences and share of results of consolidated investment fund attributable to other redeemable participating shareholders and gain on disposal of financial assets at fair value through other comprehensive income. The increase in other income and gains or losses, net was mainly due to the share of investment loss of consolidated investment fund by other redeemable participating shareholders of approximately HK\$6.0 million during the Period.

Administrative and Other Expenses

The Group's administrative and other expenses increased by approximately 62.4% from approximately HK\$10.9 million for the six months ended 30 September 2020 to approximately HK\$17.8 million for the Period, primarily due to an increase in traveling and entertainment expenses due to lift of travel restriction from the pandemic and increase in commission and transactions cost for securities brokerage and other services.

Management Discussion and Analysis (Continued)

Staff Costs

Staff costs increased slightly by approximately 8.5% from approximately HK\$25.1 million for the six months ended 30 September 2020 to approximately HK\$27.3 million for the Period primarily due to the government subsidies on staff costs granted during the six months ended 30 September 2020.

Finance Costs

Finance costs represented interest expense recognised on right-of-use assets and interest expense payable for bank borrowings and margin financing incurred by the fund under management by the Group. The Group recorded finance costs of approximately HK\$0.4 million during the Period (2020: approximately HK\$0.3 million).

Profit attributable to the owners of the Company

Profit for the Period attributable to the owners of the Company decreased to approximately HK\$8.7 million (2020: approximately HK\$12.3 million) primarily due to a decrease in revenue, and an increase in administrative and other expenses, partially offset by an increase in other income.

Liquidity, Financial Resources and Capital Structure

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

As of 30 September 2021, the Group's net current assets amounted to approximately HK\$171.6 million (31 March 2021: approximately HK\$164.7 million), and its liquidity as represented by the current ratio (current assets/current liabilities) was approximately 1.9 times (31 March 2021: approximately 2.0 times). Cash and bank balances amounted to approximately HK\$45.3 million (31 March 2021: approximately HK\$38.1 million). As of 30 September 2021, the Group has bank borrowings, amounts due to broker and convertible bonds of approximately HK\$20.0 million, HK\$30.8 million, and HK\$1.2 million, respectively (31 March 2021: approximately HK\$5.0 million, HK\$18.4 million and HK\$1.2 million, respectively). As of 30 September 2021, the Group's total debt incurred (including bank borrowings, amounts due to broker, convertible bonds, and lease liabilities) were approximately HK\$65.3 million (31 March 2021: approximately HK\$33.8 million), representing a gearing ratio of approximately 35.7% (31 March 2021: approximately 19.4%).

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

Pledge of Assets

As of 30 September 2021, the Group had pledged a bank deposit of HK\$5 million (31 March 2021: HK\$5 million).

Foreign Currency Exposure

The majority of the Group's revenue is denominated in Hong Kong dollars and US dollars and the Group's accounts are prepared in Hong Kong dollars. Consequently, the exposure to the risk of foreign exchange rate fluctuations for the Group is immaterial.

Capital Commitments and Contingent Liabilities

As at 30 September 2021, the Group did not have any significant capital commitment and contingent liabilities (31 March 2021: nil).

Management Discussion and Analysis (Continued)

Employees and Remuneration Policies

As at 30 September 2021, the Group employed 49 staff (including executive directors of the Company) (31 March 2021: 53). The remuneration of the Group's employees generally consists of monthly salary, which is determined based on, among other things, the employees' experience, qualification, position and responsibilities and discretionary bonus which is determined at the management's sole discretion based on, among other things, the relevant employee's performance and the Group's financial performance. Moreover, the Group provides employees training programs or subsidies employees to attend various job-related training courses. Employee benefit expenses primarily consist of salaries, bonuses, and allowance as well as contributions to the mandatory provident fund for the executive directors and employees of the Group.

Apart from basic remuneration, share options may be granted under the share option scheme of the Company to eligible employees by reference to the Group's performance as well as the individual's contribution. As disclosed in the prospectus of the Company dated 17 September 2019 (the "Prospectus"), the Company adopted the pre-IPO share option scheme on 6 March 2019 and a post-IPO share option scheme on 10 September 2019 to incentivise and retain staff members who have made contributions to the success of the Group. The directors of the Company (the "Directors") believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.

Significant Investments held by the Group

Up to 30 September 2021, the Group has invested US\$3 million (equivalent to approximately HK\$23.4 million) into Lego Vision Fund SP, a fund under management by the Group, as seed money. Lego Vision Fund SP focuses to invest in a portfolio consisting primarily of equities, bonds and other securities of companies in promising industries with excellent management, business model, products and sound financials for the long-term sustainable growth.

As at 30 September 2021, the Group held 28,807 non-voting shares in Lego Vision Fund SP (which represented 43.9% of total non-voting shares of Lego Vision Fund SP) with aggregate value of approximately US\$4.1 million (equivalent to approximately HK\$32 million), which represented approximately 8.6% of the total assets of the Company. During the Period, the net asset value per share in respect of Lego Vision Fund SP held by the Group was decreased from US\$153.6 (equivalent to approximately HK\$1,198.1) on 1 April 2021 to approximately US\$141.6 (equivalent to approximately HK\$1,104.5) on 30 September 2021, representing a negative return of approximately 7.8% during the Period. In view of the concerns on economic and political conditions, it is expected that the market will be very volatile in the second half of the financial year. However, the portfolio of Lego Vision Fund SP is built according to the mandate for steady absolute return under a controlled standard deviation and the fund manager believes that the performance of Lego Vision Fund SP will recover in 2022. Accordingly, the Group intends to maintain its investment in Lego Vision Fund SP as a long-term investment.

Material Acquisitions and Disposal of Subsidiaries and Capital Assets

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

Management Discussion and Analysis (Continued)

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

Risk Management

The objective of the Group's risk management is to achieve an appropriate balance between risk and return, and reduce the negative impact on its operating results and maximise shareholder's value. The Group's risk management strategy is to identify and analyse the various risks faced by the Group, establish appropriate risk tolerance, and reliably measure and monitor the risks on a timely and effective manner to ensure the risks are controlled within the tolerance level.

Outlook and Prospect

Global and Asia economy continued to face significant uncertainties due to the global pandemic. Businesses around the world are also challenged in different aspects in the way of conducting business, keeping employees motivated while ensuring the safety of its employees and customers. Several factors, such as the progress of vaccination rollout and the Sino-US trade dispute will continue to hinder the recovery of the economic activities in most countries.

Any adverse market condition or market sentiment may affect clients' decision on the scale, timing and platform in respect of their fund raising needs, which may lead to lower demand for, delay to or termination of fund raising activities and the Group's services.

With the Group's diversified business portfolio which creates synergies between its business lines and the Group's experiences to advise on broad spectrum of corporate transactions which covers not only fund raising activities, but also resumption, restructuring and other corporate actions, the Group remains capable to secure new mandates and maintaining a healthy project pipeline. However, the Group's business and revenue may likely be adversely affected if the uncertainties continue to dampen the outlook of the market.

The Group was able to maintain its profitability under the shadow of market uncertainties during the Period. The Group will continue to equip itself for its long-term growth with steps to diversify its income sources and risk while allocating its resources as appropriate in response to the market changes.

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

The Company will also capitalise on the advantages of being a fully licensed broker in Hong Kong to provide high-quality professional services on corporate finance advisory, securities and financing, and asset management for outstanding enterprises in Asia and around the world. The Group expects to weather the economic uncertainties and aims to create a long-term return to its shareholders and investors and endeavor to establish the Company as a leading comprehensive financial services institution in the region.

Corporate Governance/Other Information

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the “Shareholders”) and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

Compliance with Corporate Governance Code

During the Period, the Company has complied with all applicable code provisions under the CG Code and adopted most of the best practices set out therein except for the following provision.

Under code provision A.2.1 of the CG Code, which requires the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Mui Ho Cheung Gary currently holds both positions. Mr. Mui, an executive Director and controlling Shareholder, has held key leadership position of the Group since March 2016 and has been responsible for overall strategic planning, management, operation and business development of the Group. The Directors (including the independent non-executive Directors) consider that Mr. Mui is the best candidate for both positions and the present arrangements are beneficial and in the interests of the Group and the Shareholders as a whole.

The Directors will review the corporate governance policies and compliance with the CG Code each financial year and apply the “comply or explain” principle in the corporate governance report which will be included in the annual reports.

The Directors have a balanced mix of experience and industry background, including but not limited to experience in the corporate finance, legal, business advisory and accounting industries. The three independent non-executive Directors who have different industry backgrounds, represent more than one-third of the members of the board (the “Board”) of Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2021 (2020: nil).

AUDIT COMMITTEE

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

Corporate Governance/Other Information (Continued)

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 September 2021 have been reviewed by our auditor, BDO Limited, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has also reviewed the unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 September 2021 including the accounting principles and practices adopted by the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

IMPORTANT EVENTS AFTER THE END OF THE PERIOD

There is no material subsequent event undertaken by the Group after 30 September 2021 and up to the date of this report.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for the disclosure as set out under the section headed “Use of Net Proceeds from Listing” below, the Group did not have any specific future plan for material investments or capital assets as at 30 September 2021.

Corporate Governance/Other Information (Continued)

USE OF NET PROCEEDS FROM LISTING

The Shares were listed on the Main Board of the Stock Exchange on 30 September 2019. Net proceeds (after deducting the underwriting fees and estimated expenses payable by the Company) from the share offer of the Company (the “Share Offer”) amounted to approximately HK\$99.1 million. Accordingly, the Group adjusted the use of proceeds in the same manner as stated in the Prospectus. The details of intended application of net proceeds from the Share Offer and actual usage up to 30 September 2021 are set out as follows:

Item	Approximate % of total net proceeds	Net proceeds from the share offer (HK\$ million)	Utilised up to 30 September 2021 (HK\$ million)	Unutilised as at 30 September 2021 (HK\$ million)	Expected timeline of full utilisation of the unutilised proceeds
Increase capital base for underwriting business	56.8%	56.3	56.3	–	Fully utilised
Expand equity capital markets (ECM) team	4.1%	4.1	2.1	2.0	By the end of financial year ending 31 March 2023
Invest seed money for new fund under the asset management business	13.6%	13.5	11.7	1.8	By the end of financial year ending 31 March 2023
Increase capital base for the securities financing business	9.1%	9.0	9.0	–	Fully utilised
Expand corporate finance advisory team	6.4%	6.3	2.1	4.2	By the end of financial year ending 31 March 2023
Working capital and general corporate purposes	10.0%	9.9	9.9	–	Fully utilised
Total	100.0%	99.1	91.1	8.0	

The unutilised net proceeds are placed in licensed banks in Hong Kong as at 30 September 2021.

Corporate Governance/Other Information (Continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2021, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interests in the Shares and underlying Shares

Name of Director	Capacity/Nature of Interest	Number of Shares held/ interested ⁽¹⁾	Approximate percentage of shareholding ⁽²⁾
Mr. Mui Ho Cheung Gary ("Mr. Mui")	Interest of controlled corporation ⁽³⁾	299,492,188 (L)	73.77%
	Beneficial owner ⁽⁴⁾	8,763,452 (L)	2.16%
Mr. Liu Chi Wai ("Mr. Liu")	Beneficial owner ⁽⁵⁾	1,732,165 (L)	0.43%
Mr. Ng Siu Hin Stanley ("Mr. Ng")	Beneficial owner ⁽⁶⁾	1,732,165 (L)	0.43%
Ms. Ho Sze Man Kristie ("Ms. Ho")	Beneficial owner ⁽⁷⁾	1,732,165 (L)	0.43%
Mr. Tang Chun Fai Billy ("Mr. Tang")	Beneficial owner ⁽⁸⁾	909,387 (L)	0.22%

Notes:

- (1) The letter "L" denotes the person's long position in the relevant Shares or underlying Shares.
- (2) There were 405,962,965 Shares in issue as at 30 September 2021.
- (3) Mr. Mui legally and beneficially owns approximately 90.38% of the issued shares of Lego Financial Group Limited and is its sole director. Accordingly, Mr. Mui is deemed to be interested in the 299,492,188 Shares held by Lego Financial Group Limited by virtue of the SFO.
- (4) Mr. Mui is interested in the 4,763,452 and 4,000,000 underlying Shares which may be allotted and issued to him upon full exercise of all the options granted to him under the pre-IPO share option scheme approved and adopted by the Company on 6 March 2019 ("Pre-IPO Share Option Scheme") and the share option scheme approved and adopted by the Company on 10 September 2019 respectively.
- (5) Mr. Liu is interested in the 1,732,165 underlying Shares which may be allotted and issued to him upon full exercise of all the options granted to him under the Pre-IPO Share Option Scheme.
- (6) Mr. Ng is interested in the 1,732,165 underlying Shares which may be allotted and issued to him upon full exercise of all the options granted to him under the Pre-IPO Share Option Scheme.
- (7) Ms. Ho is interested in the 1,732,165 underlying Shares which may be allotted and issued to her upon full exercise of all the options granted to her under the Pre-IPO Share Option Scheme.
- (8) Mr. Tang is interested in the 909,387 underlying Shares which may be allotted and issued to him upon full exercise of all the options granted to him under the Pre-IPO Share Option Scheme.

Corporate Governance/Other Information (Continued)

(ii) Interests in shares of the associated corporation

Name of Director	Associated corporation	Capacity/ Nature of Interest	Number of shares held ⁽¹⁾	Approximate percentage of shareholding in the associated corporation
Mr. Mui	Lego Financial Group Limited	Beneficial owner	8,450 (L)	90.38%
Mr. Liu	Lego Financial Group Limited	Beneficial owner	350 (L)	3.74%
Mr. Ng	Lego Financial Group Limited	Beneficial owner	350 (L)	3.74%
Ms. Ho	Lego Financial Group Limited	Beneficial owner	100 (L)	1.07%

Note:

(1) The letter "L" denotes the person's long position in the relevant shares of the associated corporation.

Save as disclosed above, as at 30 September 2021, none of the Directors or the chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

CHANGES TO DIRECTORS' INFORMATION

There was no change to any information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) under Rule 13.51(2) of the Listing Rules since the publication of the annual report of the Company for the year ended 31 March 2021.

Corporate Governance/Other Information (Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2021, to the best knowledge of the Directors, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares/ underlying Shares/ held/interested ⁽¹⁾	Approximate percentage of shareholding ⁽²⁾
Lego Financial Group Limited	Beneficial owner	299,492,188 (L)	73.77%
Ms. Ki Sin Yee Cindy ("Ms. Ki")	Interest of spouse ⁽³⁾	308,255,640 (L)	75.93%
Mr. Wong Wing Shing	Beneficial owner	20,820,312 (L)	5.13%

Notes:

- (1) The letter "L" denotes the person's long position in the relevant Shares or underlying Shares.
- (2) There were 405,962,965 Shares in issue as at 30 September 2021.
- (3) Ms. Ki is the spouse of Mr. Mui and is therefore deemed to be interested in all the Shares and underlying Shares that Mr. Mui is interested by virtue of the SFO.

Save as disclosed above, as at 30 September 2021, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Corporate Governance/Other Information (Continued)

SHARE OPTION SCHEMES

(a) Pre-IPO Share Option Scheme

The Company has conditionally adopted the Pre-IPO Share Option Scheme, which was approved by the written resolution of the then sole shareholder passed on 6 March 2019. The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of, and to provide an incentive to, certain staff of the Group who have contributed and/or will contribute to the Group, in order to motivate and retain them for the operation and development of the Group.

An option shall vest unto a grantee and may be exercised by the grantee during the option period (the "Option Period"), being a period commencing from the listing date (i.e. 30 September 2019) (the "Listing Date") and ending on 6 March 2027, being the eighth anniversary of the date of adoption of the Pre-IPO Share Option Scheme, and in accordance with the manner provided in the grant letter of the option issued by the Company to the grantee subject to any adjustments under the Pre-IPO Share Option Scheme. The options shall only be exercised in following manner:

- (a) not more than 10,200,000 Shares (representing not more than 30% of the total number of Shares to be allotted and issued pursuant to the exercise of all the options under the Pre-IPO Share Option Scheme) comprised in all the options under the Pre-IPO Share Option Scheme shall vest unto the grantees and become exercisable during the period commencing from the Listing Date and ending on the day immediately before the first anniversary of the Listing Date (the "First Vesting Period");
- (b) not more than 10,200,000 Shares (representing not more than 30% of the total number of Shares to be allotted and issued pursuant to the exercise of all the options under the Pre-IPO Share Option Scheme) comprised in all the options under the Pre-IPO Share Option Scheme shall vest unto the grantees and become exercisable during the period commencing on the day falling on the first anniversary of the Listing Date and ending on the day immediately before the second anniversary of the Listing Date (the "Second Vesting Period"); and
- (c) the remaining Shares comprised in the options under the Pre-IPO Share Option Scheme (being not more than 13,600,000 Shares, representing not more than 40% of the total number of Shares to be allotted and issued pursuant to the exercise of all the options under the Pre-IPO Share Option Scheme) shall vest unto the grantees and become exercisable during the period commencing on the day falling on the second anniversary of the Listing Date and ending on the day immediately before the third anniversary of the Listing Date (the "Third Vesting Period"). For the avoidance of doubt, any outstanding and unexercised option(s) at the end of the First Vesting Period shall be carried over to the Second Vesting Period and shall be exercisable during the Second Vesting Period. Any outstanding and unexercised option(s) at the end of the Second Vesting Period shall be carried over to the Third Vesting Period and shall be exercisable during the Third Vesting Period and until the end of the Option Period.

Corporate Governance/Other Information (Continued)

Details of the interests of the Directors, chief executive, senior management and other employees of the Group in the options under the Pre-IPO Share Option Scheme are set out below:

Name of grantee	Date of grant	Exercise period	Subscription price per Share (HK\$)	Number of Shares in relation to outstanding options as at 1 April 2021	Granted during the six months ended 30 September 2021	Exercised during the six months ended 30 September 2021	Cancelled during the six months ended 30 September 2021	Lapsed during the six months ended 30 September 2021	Number of Shares in relation to outstanding options as at 30 September 2021
Directors									
Mr. Mui	6 March 2019	First Vesting Period	0.6	1,429,035	-	-	-	-	1,429,035
		Second Vesting Period	0.6	1,429,035	-	-	-	-	1,429,035
		Third Vesting Period	0.6	1,905,382	-	-	-	-	1,905,382
Mr. Liu	6 March 2019	First Vesting Period	0.6	519,649	-	-	-	-	519,649
		Second Vesting Period	0.6	519,649	-	-	-	-	519,649
		Third Vesting Period	0.6	692,867	-	-	-	-	692,867
Mr. Ng	6 March 2019	First Vesting Period	0.6	519,649	-	-	-	-	519,649
		Second Vesting Period	0.6	519,649	-	-	-	-	519,649
		Third Vesting Period	0.6	692,867	-	-	-	-	692,867
Ms. Ho	6 March 2019	First Vesting Period	0.6	519,649	-	-	-	-	519,649
		Second Vesting Period	0.6	519,649	-	-	-	-	519,649
		Third Vesting Period	0.6	692,867	-	-	-	-	692,867
Mr. Tang	6 March 2019	Second Vesting Period	0.6	389,737	-	-	-	-	389,737
		Third Vesting Period	0.6	519,650	-	-	-	-	519,650
Subtotal				10,869,334	-	-	-	-	10,869,334
Senior management and other employees in aggregate	6 March 2019	First Vesting Period	0.6	454,693	-	-	-	-	454,693
		Second Vesting Period	0.6	3,871,381	-	-	-	(558,622)	3,312,759
		Third Vesting Period	0.6	4,642,221	-	-	-	(744,834)	3,897,387
Other participant	6 March 2019	First Vesting Period	0.6	194,868	-	-	-	-	194,868
		Second Vesting Period	0.6	194,868	-	-	-	-	194,868
		Third Vesting Period	0.6	259,826	-	-	-	-	259,826
Total				20,487,191	-	-	-	(1,303,456)	19,183,735

For details of the Pre-IPO Share Option Scheme, please refer to Appendix IV to the Prospectus.

Corporate Governance/Other Information (Continued)

(b) Share Option Scheme

The Company has adopted the share option scheme (the "Share Option Scheme"), which was approved by the written resolutions of the then Shareholders passed on 10 September 2019 and became effective on the Listing Date. The purpose of the Share Option Scheme is to enable the Board to grant options to eligible persons as incentives or rewards for their contribution or potential contribution to the Group and/or to recruit and retain high caliber eligible persons and attract human resources that are valuable to the Group. For details of the Share Option Scheme, please refer to Appendix IV to the Prospectus.

On 1 April 2021, the Company granted 4,000,000 options to Mr. Mui to subscribe for an aggregated 4,000,000 Shares. For details, please refer to the announcement of the Company dated 1 April 2021.

Details of the interests of the Directors, chief executive, senior management and other employees of the Group in the options under the Share Option Scheme are set out below:

Name of grantee	Date of grant	Exercise period	Subscription price per Share (HK\$)	Number of Shares in relation to outstanding options before 1 April 2021	Granted during the six months ended 30 September 2021	Exercised during the six months ended 30 September 2021	Cancelled during the six months ended 30 September 2021	Lapsed during the six months ended 30 September 2021	Number of Shares in relation to outstanding options as at 30 September 2021
Director									
Mr. Mui	1 April 2021	1 April 2021 to 31 March 2031	0.285	-	4,000,000	-	-	-	4,000,000

The closing price of Shares immediately before the date of which the options granted, i.e. 31 March 2021, was HK\$0.28.

By order of the Board
Mui Ho Cheung Gary
*Chairman, Chief Executive Officer
and Executive Director*

Hong Kong, 25 November 2021

Report on Review of Condensed Consolidated Interim Financial Statements

TO THE BOARD OF DIRECTORS OF LFG INVESTMENT HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated interim financial statements set out on pages 20 to 56, which comprises the condensed consolidated statement of financial position of LFG Investment Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 September 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “condensed consolidated interim financial statements”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the condensed consolidated interim financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“HKSRE 2410”) issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited

Certified Public Accountants

Chan Wing Fai

Practising Certificate Number P05443

Hong Kong, 25 November 2021

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2021

	Notes	Six months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	4		
Corporate finance advisory services		41,847	20,517
Securities and underwriting services		8,613	17,312
Interest income from margin financing services		3,989	3,642
Asset management services		–	30
Investment fund		(3,740)	20,129
Total revenue		50,709	61,630
Other income and gains or losses, net	5	6,392	(7,586)
Staff costs		(27,250)	(25,117)
Administrative and other expenses		(17,767)	(10,940)
Bad debt expenses		(781)	–
Expected credit loss on accounts receivable		–	(3,378)
Finance costs	6	(385)	(332)
Profit before income tax expenses	7	10,918	14,277
Income tax expenses	8	(2,249)	(2,118)
Profit for the period		8,669	12,159
Other comprehensive income for the period:			
Item that may not be reclassified subsequently to profit or loss:			
— Net change in financial assets at fair value through other comprehensive income		(571)	31
Other comprehensive income for the period		(571)	31
Total comprehensive income for the period		8,098	12,190

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the six months ended 30 September 2021

	Notes	Six months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit for the period attributable to:			
Owners of the Company		8,674	12,309
Non-controlling interests		(5)	(150)
		8,669	12,159
Total comprehensive income for the period attributable to:			
Owners of the Company		8,103	12,340
Non-controlling interests		(5)	(150)
		8,098	12,190
Earnings per share from profit for the period attributable to owners of the Company:			
	10		
Basic		2.1 HK cents	3.0 HK cents
Diluted		2.1 HK cents	2.9 HK cents

Condensed Consolidated Statement of Financial Position

As at 30 September 2021

	Notes	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	3,266	3,430
Intangible asset		500	500
Deposits	15	1,733	1,049
Right-of-use assets		13,600	9,159
Financial assets at fair value through other comprehensive income	12	–	571
		19,099	14,709
Current assets			
Financial assets at fair value through profit or loss	13	97,943	94,844
Accounts receivable	14	150,983	131,187
Other receivables, deposits and prepayments	15	5,717	2,615
Tax recoverable		–	507
Pledged bank deposit	16	5,000	5,000
Cash and bank balances — held on behalf of customers	17	47,443	56,909
Cash and bank balances	18	45,310	38,095
		352,396	329,157
Current liabilities			
Accounts payable	19	94,956	96,623
Accruals and other payables	20	8,791	7,436
Other financial liabilities	21	40,591	45,161
Lease liabilities		5,371	3,455
Convertible bonds	22	1,170	1,170
Deferred revenue	4	8,743	5,629
Bank borrowings	23	20,000	5,000
Tax payables		1,203	–
		180,825	164,474
Net current assets		171,571	164,683
Total assets less current liabilities		190,670	179,392
Non-current liabilities			
Lease liabilities		7,955	5,741
Net assets		182,715	173,651
Equity			
Share capital	24	4,060	4,060
Share premium		110,371	110,371
Reserves		66,893	57,824
Equity attributable to owners of the Company		181,324	172,255
Non-controlling interests		1,391	1,396
Total equity		182,715	173,651

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2021

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000 (Note 24)	Share premium HK\$'000 (Note a)	Share option reserve HK\$'000 (Note b)	Revaluation reserve HK\$'000 (Note c)	Other reserve HK\$'000 (Note d)	Retained earnings HK\$'000	Total HK\$'000		
At 1 April 2021 (Audited)	4,060	110,371	5,074	31	36,311	16,408	172,255	1,396	173,651
Profit for the period	-	-	-	-	-	8,674	8,674	(5)	8,669
Other comprehensive income:									
Net change in financial assets at fair value through other comprehensive income	-	-	-	(571)	-	-	(571)	-	(571)
Total comprehensive income for the period	-	-	-	(571)	-	8,674	8,103	(5)	8,098
Recognition of equity settled share-based payment (note 25)	-	-	966	-	-	-	966	-	966
Lapse of share options	-	-	(152)	-	-	152	-	-	-
Transfer of reserve upon derecognition of the investment in an equity instrument measured at fair value through other comprehensive income	-	-	-	540	-	(540)	-	-	-
At 30 September 2021 (Unaudited)	4,060	110,371	5,888	-	36,311	24,694	181,324	1,391	182,715

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 September 2021

	Attributable to owners of the Company								Total equity HK\$'000
	Share capital	Share premium	Share option reserve	Revaluation reserve	Other reserve	Retained earnings	Total	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(Note 24)	(Note a)	(Note b)	(Note c)	(Note d)				
At 1 April 2020 (Audited)	4,060	110,371	4,100	–	36,311	19,791	174,633	–	174,633
Profit for the period	–	–	–	–	–	12,309	12,309	(150)	12,159
Other comprehensive income:									
Net change in financial assets at fair value through other comprehensive income	–	–	–	31	–	–	31	–	31
Total comprehensive income for the period	–	–	–	31	–	12,309	12,340	(150)	12,190
Recognition of equity settled share-based payment (note 25)	–	–	1,218	–	–	–	1,218	–	1,218
Lapse of share options	–	–	(57)	–	–	57	–	–	–
Dividend (note 9)	–	–	–	–	–	(19,892)	(19,892)	–	(19,892)
Acquisition of subsidiaries	–	–	–	–	–	–	–	1,546	1,546
At 30 September 2020 (Unaudited)	4,060	110,371	5,261	31	36,311	12,265	168,299	1,396	169,695

Notes:

(a) Share premium

It represents the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares.

(b) Share option reserve

It represents cumulative expense recognised on the granting of share options to the grantees over the vesting periods.

(c) Revaluation reserve

It represents fair value changes of financial assets measured at fair value through other comprehensive income.

(d) Other reserve

It represents the aggregate amount of share capital of subsidiaries comprising the Group.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2021

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Net cash used in operating activities	(7,686)	(77,881)
Cash flows from investing activities		
Interest received	1,009	1,050
Dividend received	459	444
Purchases of property, plant and equipment	(339)	–
Acquisition of financial assets at fair value through other comprehensive income	–	(540)
Proceeds from disposal of financial assets at fair value through other comprehensive income	540	–
Acquisition of subsidiaries	–	2,715
Net cash generated from investing activities	1,669	3,669
Cash flows from financing activities		
Interest paid on bank borrowings	(171)	–
Interest paid on margin financing	(96)	(117)
Interest paid on lease liabilities	(97)	(215)
Dividend paid	–	(19,892)
Proceeds from bank borrowings	15,000	–
Proceeds from issue of redeemable participating shares	5,047	7,367
Payment for redemption of redeemable participating shares	(3,586)	(4,577)
Payment of principal portion of lease liabilities	(2,865)	(3,193)
Net cash generated from/(used in) financing activities	13,232	(20,627)
Net increase/(decrease) in cash and bank balances	7,215	(94,839)
Cash and bank balances at the beginning of the period	38,095	127,861
Cash and bank balances at the end of the period	45,310	33,022

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2021

1. GENERAL INFORMATION

LFG Investment Holdings Limited (the “Company”) is an exempted company with limited liability incorporated in the Cayman Islands. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business in Hong Kong is located at Room 1601, 16th Floor, China Building, 29 Queen’s Road Central, Hong Kong. The Company is an investment holding company and, together with its subsidiaries (collectively referred to as the “Group”), are principally engaged in corporate finance advisory services, securities and financing services and asset management services.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “*Interim Financial Reporting*”. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2020/2021 annual report.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group has applied the same accounting policies and methods of computation in its condensed consolidated interim financial statements as in its 2020/2021 annual consolidated financial statements.

Use of estimates and judgements

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

Impact of accounting standards to be applied in future periods

There are a number of standards and interpretations which have been issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are effective for periods beginning subsequent to 31 March 2022 (the date on which the Company’s next annual financial statements will be prepared up to) that the Group has decided not to adopt early. The Group does not believe these standards and interpretations will have a material impact on the financial statements once adopted.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable by the Group from external customers.

Information reported to the executive directors, being the chief operating decision maker (the “CODM”), for the purposes of resource allocation and assessment of segment performance focuses on revenue for each type of services provided. The CODM considers the business from service perspectives whereby assesses the performance of the services based on revenue generated in the course of the ordinary activities of a recurring nature of the Group.

The CODM considers the businesses of the Group as a whole is engaged in corporate finance advisory services. Therefore the management of the Group considers that the Group only has one single operating segment. As no discrete financial information is available for identifying operating segments among different services, no further analysis of segment information is presented.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Nature of services

Services	Nature, timing of satisfaction of performance obligation and significant payment terms
(i) Corporate finance advisory services	<p>Acting as a sponsor to companies seeking to list in Hong Kong advising and guiding them and their directors throughout the listing process. Sponsor fee income are recognised over time during the initial public offering (“IPO”) process;</p> <p>Acting as a financial adviser to listed companies in Hong Kong as well as their shareholders and investors advising them on transactions involving the Listing Rules, GEM Listing Rules or Takeovers Code. Financial advisory fee income are recognised over time during the service period;</p> <p>Acting as an independent financial adviser to independent board committees and independent shareholders of listed companies in Hong Kong rendering recommendations and opinions. Independent financial advisory fee income are recognised over time during the service period; and</p> <p>Acting as a compliance adviser to listed companies in Hong Kong advising them on post-listing matter. Compliance consultancy fee income are recognised over time during the service period.</p>

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Nature of services *(Continued)*

Services	Nature, timing of satisfaction of performance obligation and significant payment terms
(ii) Securities and underwriting services	
(1) Placing and underwriting services	Acting as a global coordinator, a bookrunner, a lead manager or an underwriter for listing applicants in IPOs and acting as an underwriter or a placing agent for secondary market transactions. Income is recognised at point in time and billed while the services are performed.
(2) Securities dealing and brokerage services	Providing (i) securities dealing and brokerage services for trading in securities on the Stock Exchange (including equities, exchange traded products, derivative warrants, callable bull/bear contracts, real estate investment trusts and debt securities) and securities on the major exchanges in the United States; (ii) other services including script handling and settlement services, account maintenance services and nominee, corporate action, investor relations and related services. Commission income is recognised as income on a trade date basis when the services are rendered. Service fee is billed while the services are performed.
(3) Securities financing services	Providing margin financing for securities purchases on the secondary market and IPO financing for new share subscriptions in IPOs. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.
(iii) Asset management services	Providing investment advisory and asset management services. The asset management income is charged at a fixed percentage per annum of the asset value of the funds under management of the Group. The Group is also entitled to a performance fee for certain accounts when pre-set performance target for the relevant performance period is met. The performance fee is recognised when it is highly probable that a significant reversal in the revenue recognised will not occur when the performance target is evaluated on an annual basis for each of the account.
(iv) Investment fund	Trading of listed securities through recognised stock exchanges. Investment income from trading of listed securities through recognised stock market is recognised on a trade date basis. Dividend income from listed securities is recognised when the Group's right to receive dividend payment is established. Interest income from listed bonds is recognised on an accrual basis using the effective interest method.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Disaggregation of revenue from contracts with customers

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

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
By major service type:		
Corporate finance advisory services		
Sponsor fee income	6,560	7,468
Advisory fee income		
— financial and independent financial advisory	32,662	9,253
— compliance advisory	2,625	3,796
	41,847	20,517
Securities and underwriting services	8,613	17,312
Interest income from margin financing services	3,989	3,642
Asset management services	—	30
Investment fund	(3,740)	20,129
Total	50,709	61,630
Revenue from contracts with customers:		
Corporate finance advisory services	41,847	20,517
Securities and underwriting services	8,613	17,312
Asset management services	—	30
	50,460	37,859
Revenue from other sources:		
Interest income from margin financing services	3,989	3,642
Interest income from listed bonds	2,505	1,657
Dividend income from listed securities	472	454
Net change in financial assets at fair value through profit or loss	(6,717)	18,018
	50,709	61,630
Timing of revenue recognition from contracts with customers:		
Services transferred at a point in time	8,613	17,312
Services transferred over time	41,847	20,547
	50,460	37,859

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

(c) Contract balances

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

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Deferred revenue	8,743	5,629
Movements in deferred revenue:		
Balance at the beginning of the period/year	5,629	8,509
Decrease in deferred revenue as a result of recognising revenue during the period/year that was included in deferred revenue at the beginning of the period/year	(3,590)	(5,946)
Increase in deferred revenue as a result of billing in advance of corporate finance advisory services	6,704	3,066
Balance at the end of the period/year	8,743	5,629

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

Deferred revenue mainly relates to advance consideration received from customers. Approximately HK\$3,590,000 and HK\$5,946,000 of deferred revenue as of 1 April 2021 and 2020 had been recognised as revenue for the period/year ended 30 September 2021 and 31 March 2021, respectively.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

4. REVENUE AND SEGMENT INFORMATION (Continued)

(d) Transaction price allocated to the remaining performance obligations

As at 30 September 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts was approximately HK\$51,663,000 (30 September 2020: HK\$62,807,000). This amount represents revenue expected to be recognised in the future from partially completed long-term service contracts. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur in the next 1 to 36 months (30 September 2020: 1 to 36 months).

Geographical information

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

Information about major customers

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

	Notes	Six months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Customer A	(i)	19,706	–
Customer B	(ii)	–	7,534
Customer C	(iii)	–	8,559

Notes:

- (i) Revenue from corporate finance advisory services for the six months ended 30 September 2021.
- (ii) Revenue from securities and underwriting services for the six months ended 30 September 2020.
- (iii) Revenue from corporate finance advisory and securities and underwriting services for the six months ended 30 September 2020.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

5. OTHER INCOME AND GAINS OR LOSSES, NET

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest income	2	129
Exchange (loss)/gain, net	(184)	22
Share of results of consolidated investment fund attributable to other redeemable participating shareholders	6,031	(7,786)
Gain on disposal of financial assets at fair value through other comprehensive income	540	–
Other income	3	49
	6,392	(7,586)

6. FINANCE COSTS

The Group's finance costs recognised are as follows:

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest on bank borrowings	171	–
Interest on margin financing	117	117
Interest on lease liabilities	97	215
	385	332

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

7. PROFIT BEFORE INCOME TAX EXPENSES

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

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Auditor's remuneration	519	561
Depreciation of		
— Property, plant and equipment	503	415
— Right-of-use assets	2,554	3,180
Expected credit loss on accounts receivable	—	3,378
Bad debt expenses	781	—
Low value assets lease expenses	47	47
Staff costs (including directors' remuneration):		
— Salaries, allowances and other benefits	25,919	23,537
— Equity settled share-based payment expenses	966	1,218
— Contributions to retirement benefits schemes	365	362
Total staff costs	27,250	25,117

8. INCOME TAX EXPENSES

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current tax — Hong Kong profits tax		
— Charge for the period	2,234	2,118
— Over-provision in respect of prior period	(6)	—
	2,228	2,118
Withholding tax on dividend income	21	—
Income tax expenses	2,249	2,118

The provision of Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2020: 16.5%) to the six months ended 30 September 2021, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For that subsidiary, the first HK\$2,000,000 of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for that subsidiary was calculated at the same basis to the six months ended 30 September 2020.

Dividend income received from listed securities in the United States is subject to withholding tax imposed in the country of origin. The withholding tax rate was ranged from 14% to 30% during the six months ended 30 September 2021.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

9. DIVIDEND

During the six months ended 30 September 2021 no dividend (2020: HK\$19,892,000) was paid to the then shareholders, which was in compliance with the applicable laws.

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2021 (2020: nil).

10. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit for the period attributable to owners of the Company	8,674	12,309
Weighted average number of ordinary shares for the purpose of basic earnings per share	405,962,965	405,962,965
Effect of dilutive potential ordinary shares in respect of the Company's share option schemes (notes (ii) & (iii))	381,879	24,446,140
Weighted average number of ordinary shares for the purpose of diluted earnings per share	406,344,844	430,409,105

Notes:

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

The Company's share options outstanding as at 30 September 2021 and 2020 had dilutive effect to the earnings per share because the sum of exercise price and option value of the Company's share options were lower than the average market price of the Company's shares for the six months ended 30 September 2021 and 2020.

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Computer and equipment HK\$'000	Office furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:					
At 1 April 2020	3,662	2,026	335	700	6,723
Additions	–	43	49	–	92
Acquisition of a subsidiary	–	–	–	2,850	2,850
Disposals	–	(8)	–	–	(8)
At 31 March 2021 and 1 April 2021	3,662	2,061	384	3,550	9,657
Additions	336	–	3	–	339
At 30 September 2021 (Unaudited)	3,998	2,061	387	3,550	9,996
Accumulated depreciation:					
At 1 April 2020	3,128	1,742	249	93	5,212
Provided for the year	516	133	44	330	1,023
Disposals	–	(8)	–	–	(8)
At 31 March 2021 and 1 April 2021	3,644	1,867	293	423	6,227
Provided for the period	74	52	22	355	503
At 30 September 2021 (Unaudited)	3,718	1,919	315	778	6,730
Net carrying amount:					
At 30 September 2021 (Unaudited)	280	142	72	2,772	3,266
At 31 March 2021 (Audited)	18	194	91	3,127	3,430

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Unlisted equity instruments	–	571

As the equity instruments were not held for trading purpose, the Group has designated these investments as financial assets at fair value through other comprehensive income.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss as at 30 September 2021 and 31 March 2021 represented securities and bonds listed in Hong Kong, Amsterdam, Sweden and the United States. Fair value of the listed securities and bonds has been determined by reference to their quoted bid prices at the reporting date at active markets and inactive markets.

14. ACCOUNTS RECEIVABLE

	Notes	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Accounts receivable arising from			
— Securities margin financing services	(i)	129,277	97,016
— Securities dealing and brokerage services from the clearing house	(ii)	—	8,924
— Securities dealing and brokerage services from cash clients	(iii)	360	—
— Corporate advisory and other services	(iv)	20,015	23,078
Accounts receivable from brokers	(v)	1,331	2,169
		150,983	131,187

Notes:

- (i) Advances to margin clients in margin financing are repayable on demand and carry interest at Hong Kong Dollar Prime Rate plus a spread. Credit facility limits for margin clients are determined by discounted market value of securities collateral accepted by the Group. Fair values of these securities at 30 September 2021 and 31 March 2021 were approximately HK\$501,231,000 and HK\$822,241,000, respectively. Based on agreement terms with margin clients, the Group is permitted to sell or repledge securities in securities account in the absence of default by margin clients.

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

The Group evaluates the collectability of loans based on management's judgement regarding the change in credit quality, collateral value and past collection history of each margin client. At 30 September 2021 and 31 March 2021, the Group had a concentration of credit risk on accounts receivable arising from margin clients. The top five accounts receivable of the Group from margin clients constituted approximately 40.3% of total accounts receivable from margin clients at 30 September 2021 (31 March 2021: 34.3%).

The Group has no credit terms for its margin clients.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

14. ACCOUNTS RECEIVABLE (Continued)

Notes:

(i) (Continued)

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

Name of the director	Outstanding balance at the beginning of the period/year HK\$'000	Outstanding balance at the end of the period/year HK\$'000	Maximum outstanding balance during the period/year HK\$'000	Margin finance facilities approved HK\$'000
At 30 September 2021 (Unaudited)				
Mr. Mui	1,197	1,247	1,247	3,000
At 31 March 2021 (Audited)				
Mr. Mui	1,226	1,197	1,226	3,000

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

- (ii) The settlement terms of accounts receivable from the clearing house arising from the ordinary course of business of securities dealing and brokerage services are two business days after the trade date. The balance is neither past due nor impaired.
- (iii) Accounts receivable from securities dealing and brokerage services from cash clients represented unsettled client trades on various securities exchanges transacted at the last two to three business days prior to the end of the reporting period.

No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis does not give additional value to users of this report in view of the nature of these accounts receivable.

- (iv) In respect of accounts receivable arising from corporate advisory and other services, the ageing analysis based on invoice date (net of impairment loss) is as follows:

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Less than 30 days	5,603	6,439
31–90 days	984	4,035
91–365 days	7,747	4,564
Over 365 days	5,681	8,040
	20,015	23,078

- (v) Accounts receivable represent margin accounts, cash collateral for borrowed securities and sales transactions awaiting settlement.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

14. ACCOUNTS RECEIVABLE (Continued)

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

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Opening balance	5,108	2,476
Impairment loss recognised	–	2,632
Closing balance	5,108	5,108

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Other receivables	5,414	1,063
Deposits	1,970	2,372
Prepayments	66	229
	7,450	3,664
Non-current portion		
Deposits	(1,733)	(1,049)
Current portion	5,717	2,615

16. PLEDGED BANK DEPOSIT

As at 30 September 2021 and 31 March 2021, HK\$5,000,000 was pledged to a bank for securing bank facilities granted to the Group. The deposit carried interests at 0.01% per annum for the six months ended 30 September 2021 (31 March 2021: 0.01% per annum).

17. CASH AND BANK BALANCES — HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated client accounts with a recognised institution to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as cash and bank balances — held on behalf of customers under the current assets section of the condensed consolidated statement of financial position and recognised the corresponding accounts payable (note 19) to respective clients as it is liable for any loss or misappropriation of clients' monies. The segregated clients account balances are restricted and governed by the Hong Kong Securities and Futures (Client Money) Rules under the Hong Kong Securities and Futures Ordinance.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

18. CASH AND BANK BALANCES

Cash at banks earns interest at floating rates based on daily bank deposit rates.

19. ACCOUNTS PAYABLE

	Notes	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Accounts payable arising from the ordinary course of business of securities dealing and brokerage services	(i)		
— Cash clients		19,512	43,760
— Margin clients		42,527	34,471
— Securities dealing and brokerage services from the clearing house		2,140	–
Amounts due to broker	(ii)	30,777	18,392
		94,956	96,623

Notes:

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

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

As at 30 September 2021, included in accounts payable arising from the ordinary course of business of securities dealing and brokerage services was an amount of approximately HK\$47,443,000 (31 March 2021: HK\$56,909,000) payable to clients in respect of segregated account balances received and held for clients in the course of the conduct of regulated activities.

- (ii) As at 30 September 2021, amounts due to broker are secured by securities of the Group with amount of approximately HK\$65,361,000 (31 March 2021: HK\$60,022,000) which are now or which shall at any time hereafter be deposited with, transferred to or held by the brokers for the Group's obligations under the relevant agreements.

The Group had unutilised credit limit of approximately HK\$38,290,000 from margin financing facilities as at 30 September 2021 (31 March 2021: HK\$42,107,000).

20. ACCRUALS AND OTHER PAYABLES

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Accruals	7,264	6,104
Other payables	1,527	1,332
	8,791	7,436

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

21. INTERESTS IN CONSOLIDATED INVESTMENT AND OTHER FINANCIAL LIABILITIES

Lego Funds SPC Limited was incorporated in the Cayman Islands under the Companies Law as a segregated portfolio company with limited liability on 14 February 2019. Lego Vision Fund SP (the "Investment") is a segregated portfolio under Lego Funds SPC Limited with initially subscription date on 28 March 2019 and launched on 1 April 2019.

As at 30 September 2021, approximately 28,807 shares and 36,765 shares in Lego Vision Fund SP Class A were held by the Group and other parties (represented approximately 43.9% and 56.1% of issued redeemable participating shares) at a consideration of approximately US\$3,000,000 (equivalent to approximately HK\$23,400,000) and US\$4,517,000 (equivalent to approximately HK\$35,235,000), respectively.

As at 31 March 2021, approximately 28,807 shares and 35,621 shares in Lego Vision Fund SP Class A were held by the Group and other parties (represented approximately 44.7% and 55.3% of issued redeemable participating shares) at a consideration of approximately US\$3,000,000 (equivalent to approximately HK\$23,400,000) and US\$4,330,000 (equivalent to approximately HK\$33,774,000), respectively.

The Group invested in the Investment with primary objectives for capital appreciation, investment gains and selling in the near future for profit. The Investment is set up and managed by respective investment manager who has the power and authority to manage and make decisions for the Investment. Among the Investment held by the Group, where the Group is directly or indirectly involved as an investment manager and also as an investor, the Group regularly assesses and determines whether:

- (i) the Group is acting as an agent or a principal in the Investment;
- (ii) substantive removal rights held by other parties may remove the Group as an investment manager; and
- (iii) the Investment interests held together with its remuneration from servicing and managing the Investment create significant exposure to variability of returns from activities of the assets management products that is of such significance that indicates the Group is a principal.

In the opinion of the directors, the variable returns that the Group is exposed to with respect to the Investment are significant and the Group is primarily acting as a principal and not subject to substantive removal rights held by other parties who may remove the Group as an investment manager. Therefore, the Group did consolidate the Investment.

As at 30 September 2021, total assets and total liabilities (excluding other parties' interest as stated below) of the Investment, were approximately HK\$46,055,000 and HK\$14,250,000 (31 March 2021: HK\$43,910,000 and HK\$9,289,000), respectively.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

21. INTEREST IN CONSOLIDATED INVESTMENT AND OTHER FINANCIAL LIABILITIES

(Continued)

As at 30 September 2021, other parties' interests in the Investment consist of other redeemable participating shareholders' interests in the Investment which are reflected as a liability at approximately HK\$40,591,000 (31 March 2021: HK\$45,161,000) because they can be put back to the Group for cash. The realisation of net assets in the Investment attributable to other parties cannot be predicted with accuracy because the realisation is subject to the actions of other parties.

For the six months ended 30 September 2021 and 2020, share of investment returns related to interests in consolidated investment held by other redeemable participating shareholders of approximately HK\$6,031,000 loss and HK\$7,786,000 gain was included in "other income and gains or losses, net".

22. CONVERTIBLE BONDS

On 12 October 2018, a subsidiary of the Group, Lohas Holdings Limited ("Lohas Holdings") issued convertible bonds at its face value at US\$250,000 to WS International Limited (a shareholder of Lohas Holdings). WS International Limited is an independent third party to the Group.

The convertible bonds are denominated in US\$, unsecured, bear no interest and will be matured on 31 December 2022. The convertible bonds shall be converted into Lohas Holdings' share at consideration of the latest consolidated net asset value per share of Lohas Holdings upon the conversion request at any time before the maturity date. No redemption is allowed before the maturity date. All of the convertible bonds shall be automatically converted into Lohas Holdings' shares immediately before the maturity date if such convertible bonds have not been converted.

At the date the Group acquired Lohas Holdings, there were outstanding convertible bonds with principal amount of US\$150,000 (equivalent to approximately HK\$1,170,000). No convertible bonds was converted during the six months ended 30 September 2021 and 2020. The convertible bonds are classified as derivative financial instruments and stated at fair value.

23. BANK BORROWINGS

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Current — Secured		
Bank loans due for repayment within one year	20,000	5,000
	20,000	5,000

Bank loans are secured by the Group's bank deposits amounted to HK\$5,000,000 (note 16), guaranteed by the Company with unlimited amount and a letter of undertaking granted by a director of the Company.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

24. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
At 1 April 2020, 31 March 2021, 1 April 2021 and 30 September 2021	10,000,000,000	100,000
Issued and fully paid:		
At 1 April 2020, 31 March 2021, 1 April 2021 and 30 September 2021	405,962,965	4,060

25. SHARE-BASED PAYMENT TRANSACTIONS

(a) Pre-IPO Share Option Scheme

The Group operates a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") in order to motivate and retain key staff of the Group for the operation and development of the Group. Eligible participants of the Pre-IPO Share Option Scheme include the Group's directors (excluding independent non-executive directors) and employees. The Pre-IPO Share Option Scheme was conditionally adopted on 6 March 2019 and, unless otherwise cancelled or amended, will remain in force until 6 March 2027, being the eighth anniversary of the date of adoption of the Pre-IPO Share Option Scheme.

On 6 March 2019, the Group conditionally granted 33,041,054 options to 44 grantees to subscribe for an aggregate of 33,041,054 shares under the Pre-IPO Share Option Scheme for a consideration of HK\$1 per grant.

An option shall vest unto a grantee and may be exercised in whole or in part by the grantee at HK\$0.6 per Share during the option period (the "Option Period"), being a period commencing from the Listing Date (i.e. 30 September 2019) and ending on 6 March 2027, being the eighth anniversary of the date of adoption of the Pre-IPO Share Option Scheme, and in accordance with the manner provided in the grant letter of the option issued by the Company to the grantee subject to any adjustments under the Pre-IPO Share Option Scheme. The options shall only be exercised in following manner:

- (a) not more than 10,200,000 shares (representing not more than 30% of the total number of shares to be allotted and issued pursuant to the exercise of all the options under the Pre-IPO Share Option Scheme) comprised in all the options under the Pre-IPO Share Option Scheme shall vest unto the grantees and become exercisable during the period commencing from the Listing Date and ending on the day immediately before the first anniversary of the Listing Date (the "First Vesting Period");
- (b) not more than 10,200,000 shares (representing not more than 30% of the total number of shares to be allotted and issued pursuant to the exercise of all the options under the Pre-IPO Share Option Scheme) comprised in all the options under the Pre-IPO Share Option Scheme shall vest unto the grantees and become exercisable during the period commencing on the day falling on the first anniversary of the Listing Date and ending on the day immediately before the second anniversary of the Listing Date (the "Second Vesting Period"); and

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

25. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(a) Pre-IPO Share Option Scheme *(Continued)*

- (c) the remaining shares comprised in the options under the Pre-IPO Share Option Scheme (being not more than 13,600,000 shares, representing not more than 40% of the total number of shares to be allotted and issued pursuant to the exercise of all the options under the Pre-IPO Share Option Scheme) shall vest unto the grantees and become exercisable during the period commencing on the day falling on the second anniversary of the Listing Date and ending on the day immediately before the third anniversary of the Listing Date (the "Third Vesting Period"). For the avoidance of doubt, any outstanding and unexercised option(s) at the end of the First Vesting Period shall be carried over to the Second Vesting Period and shall be exercisable during the Second Vesting Period. Any outstanding and unexercised option(s) at the end of the Second Vesting Period shall be carried over to the Third Vesting Period and shall be exercisable during the Third Vesting Period and until the end of the Option Period.

The estimated fair value of the options granted on the grant date is approximately HK\$9,037,000.

The fair value was measured using the Binomial Option Pricing model. The inputs used in the model were as follows:

Share Options granted on 6 March 2019:

Risk-free Rate (Continuous rate)	1.69%
Share Value as at the Appraisal Date	HK\$0.46 per share
Exercise Price	HK\$0.60
Expected Tenor	8 years
Volatility	60.84%
Dividend Yield	0.00%

The Binomial Option Pricing model has been used to estimate the fair value of the options. The variables and assumptions used in the computing the fair value of the share options is based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of comparable listed companies in the same industry.

The valuation was performed by Hong Kong Appraisal Advisory Limited, who is independent to the Group.

During the six months ended 30 September 2021, the Group recognised total expense in relation to share options granted of approximately HK\$296,000 (2020: HK\$1,218,000).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

25. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(a) Pre-IPO Share Option Scheme *(Continued)*

Movements in the number of share options are as follows:

	Outstanding at 1 April 2021	Exercised during the period (note (i))	Lapsed during the period	Outstanding at 30 September 2021 (note (ii))
Directors				
Mr. Mui	4,763,452	–	–	4,763,452
Mr. Liu Chi Wai (“Mr. Liu”)	1,732,165	–	–	1,732,165
Mr. Ng Siu Hin Stanley (“Mr. Ng”)	1,732,165	–	–	1,732,165
Ms. Ho Sze Man Kristie (“Ms. Ho”)	1,732,165	–	–	1,732,165
Mr. Tang Chun Fai Billy (“Mr. Tang”)	909,387	–	–	909,387
	10,869,334	–	–	10,869,334
Employees	8,968,295	–	(1,303,456)	7,664,839
Other participants	649,562	–	–	649,562
	20,487,191	–	(1,303,456)	19,183,735

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

25. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Pre-IPO Share Option Scheme (Continued)

	Outstanding at 1 April 2020	Exercised during the year (note (i))	Lapsed during the year	Outstanding at 31 March 2021 (note (ii))
Directors				
Mr. Mui	4,763,452	–	–	4,763,452
Mr. Liu	1,732,165	–	–	1,732,165
Mr. Ng	1,732,165	–	–	1,732,165
Ms. Ho	1,732,165	–	–	1,732,165
Mr. Tang	909,387	–	–	909,387
	10,869,334	–	–	10,869,334
Employees	13,515,234	–	(4,546,939)	8,968,295
Other participants	649,562	–	–	649,562
	25,034,130	–	(4,546,939)	20,487,191

Notes:

- (i) No share options were exercised during the six months ended 30 September 2021 (31 March 2021: nil).
- (ii) Exercisable share options and weighted average exercise prices are as follows:

	30 September 2021		31 March 2021	
	Number of exercisable share options	Weighted average exercise price	Number of exercisable share options	Weighted average exercise price
Balance at the beginning of the period/year	11,081,511	0.6	3,845,401	0.6
Vested during the period/year	8,660,846	0.6	8,652,151	0.6
Exercised during the period/year	–	N/A	–	N/A
Lapsed during the period/year	(558,622)	0.6	(1,416,041)	0.6
Balance at the end of the period/year	19,183,735	0.6	11,081,511	0.6

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

25. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Share Option Scheme

On 10 September 2019, pursuant to a written resolution passed by the shareholders of the Company, the Company has adopted a share option scheme (the "Scheme"), which is effective from the Listing Date.

The purpose of the Scheme is to enable to the board of directors to grant option to eligible persons (including employees or other eligible persons) as incentives or rewards for their contribution or potential contribution to the Group and/or to recruit and retain high caliber eligible persons and attract human resources that are valuable to the Group.

Subject to the provisions in the Scheme, the directors of the Company may at any time and from time to time within a period of 10 years period commencing from the date of adoption of the Scheme at their absolute discretion and subject to such terms, conditions, restrictions or limitations as they may think fit offer, at a consideration of HK\$1 per option, to grant option to any eligible persons as defined in the Scheme (the "Eligible Person(s)").

Notwithstanding anything to the contrary herein, the maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 30% of the total number of shares in issue from time to time. The total number of shares in respect of which options may be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares (assuming the Over-allotment Option is not exercised and no options granted under the Pre-IPO Share Option Scheme are exercised) in issue on the Listing Date (the "Scheme Limit") unless approved by the shareholders. Options lapsed in accordance with the terms of the Scheme or any other share option schemes of the Company shall not be counted for the purpose of calculating the Scheme Limit.

The Company may seek separate approval of the shareholders in general meeting for refreshing the Scheme Limit provided that such limit as refreshed shall not exceed 10% of the total number of shares in issue as at the date of the approval of the shareholders on the refreshment of the Scheme Limit. Options previously granted under the Scheme or any other share option schemes of the Company (including options outstanding, cancelled, lapsed in accordance with the terms of the Scheme or any other share option schemes of the Company or exercised) will not be counted for the purpose of calculating the limit as refreshed.

No option shall be granted to any Eligible Person if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of shares in issue from time to time (the "Participant Limit"), unless relevant exception conditions were met.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

25. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Share Option Scheme *(Continued)*

The offer of a grant of share options may be accepted by an eligible person (in whole or in part) within the date not later than 21 days inclusive of, and from, the date upon which it is made, by which the eligible person must accept the offer or be deemed to have declined it, provided that such date shall not be more than 10 years after the date of adoption of the Scheme or after the termination of the Scheme, and no such offer may be accepted by a person who ceases to be an eligible person after the offer has been made. An offer shall be deemed to have been accepted on the date when the duly signed duplicate comprising acceptance of the offer by the eligible person, together with the payment of nominal consideration of HK\$1 per option by the grantee.

The option may be exercised in whole or in part by the grantee at any time before the expiry of the period to be determined and notified by the board of directors to the grantee which in any event shall not be longer than 10 years commencing on the date of the offer letter and expiring on the last day of such 10-year period.

The subscription price of a share in respect of any option granted under the Scheme shall be such price as determined by the board of directors, and shall be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date (the "Offer Date"), which must be a trading day, on which the board of directors passes a resolution approving the making of an offer of grant of an option to an Eligible Person; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of a share on the Offer Date.

The subscription price of a share in respect of any option granted under the Scheme shall be such price as determined by the board of directors, and shall be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date (the "Offer Date"), which must be a trading day, on which the board of directors passes a resolution approving the making of an offer of grant of an option to an Eligible Person; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of a share on the Offer Date.

On 1 April 2021, options to subscribe 4,000,000 ordinary shares were granted to a director of the Company. The share options vest immediately as the grantee is not required to complete a specified period of service before becoming unconditionally entitled to those equity instruments. The Company recognised the services provided in full at the date of grant.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

25. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Share Option Scheme *(Continued)*

The estimated fair value of the options granted on the grant date is approximately HK\$670,000, which was measured using the Binomial Lattice Model with the key inputs into the model as disclosed below.

Share Options granted on 1 April 2021:

Risk-free Rate (Continuous rate)	1.46%
Share Value as at the Valuation Date	HK\$0.285 per share
Initial Exercise Price	HK\$0.285
Vesting Period	Nil
Expected Tenor	10 years
Expected Volatility	74.19%
Expected Dividend Yield	0.61%
Early Exercise Multiple	2.47

The Binomial Lattice Model has been used to estimate the fair value of the options. The variables and assumptions used in the computing the fair value of the share options is based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of comparable listed companies in the same industry.

The valuation was performed by Vincorn Consulting and Appraisal Limited, who is independent to the Group.

For the six months ended 30 September 2021, the Group recognised an equity-settled share-based payment expense of approximately HK\$670,000 for the share options in the condensed consolidated statement of profit or loss.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

25. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Share Option Scheme (Continued)

Movements in the number of share options are as follows:

	Outstanding at 1 April 2021	Granted during the period	Exercised during the period (note (i))	Outstanding at 30 September 2021 (note (ii))
Director				
Mr. Mui	–	4,000,000	–	4,000,000

Notes:

- (i) No share options were exercised during the six months ended 30 September 2021.
- (ii) Exercisable share options and weighted average exercise prices are as follows:

	30 September 2021	
	Number of exercisable share options	Weighted average exercise price
Balance at the beginning of the period	–	N/A
Granted during the period	4,000,000	0.285
Exercised during the period	–	N/A
Lapsed during the period	–	N/A
Balance at the end of the period	4,000,000	0.285

26. COMMITMENTS

Operating lease commitments

As lessee

As at the end of the reporting period, the Group had commitments for future minimum lease payments in respect of offices and machines under non-cancellable leases as follows:

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Within one year	82	91
One to two years	24	60
More than two years	–	–
	106	151

The Group has elected not to recognise right-of-use assets and lease liabilities for these low-value assets.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

27. FINANCIAL INSTRUMENTS

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Financial assets at amortised cost		
Accounts receivable	150,983	131,187
Other receivables and deposits	7,384	3,435
Pledged bank deposit	5,000	5,000
Cash and bank balances — held on behalf of customers	47,443	56,909
Cash and bank balances	45,310	38,095
	256,120	234,626
Financial assets at fair value through profit or loss		
Listed securities	65,361	65,716
Listed bonds	32,582	29,128
	97,943	94,844
Financial assets at fair value through other comprehensive income		
Unlisted equity instruments	—	571
	354,063	330,041
Financial liabilities at amortised cost		
Accounts payable	94,956	96,623
Accruals and other payables	8,791	7,436
Other financial liabilities	40,591	45,161
Bank borrowings	20,000	5,000
	164,338	154,220
Financial liabilities at fair value through profit or loss		
Convertible bonds	1,170	1,170
Lease liabilities	13,326	9,196
	178,834	164,586

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

27. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement

A number of assets and liabilities included in these condensed consolidated interim financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilised market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "Fair Value Hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

(a) Financial instruments not measured at fair value

At 30 September 2021 and 31 March 2021, the fair values of the Group's financial assets and financial liabilities approximated to their respective carrying amounts.

The fair values of the financial assets and liabilities are the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of cash and bank balances, pledged bank deposit, accounts receivable, other receivables and deposits, accounts payable, accruals and other payables, other financial liabilities, lease liabilities and bank borrowings approximate to their respective carrying amounts largely due to the short term maturities of these instruments.

(b) Financial instruments measured at fair value

Hong Kong Financial Reporting Standard 13 *Fair Value Measurement* introduced a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

The hierarchy groups financial assets and financial liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and financial liabilities. The fair value hierarchy has the following levels:

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: observable direct and indirect inputs other than quoted prices included within Level 1; and
- Level 3: unobservable inputs are inputs for which market data are not available.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

27. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement (Continued)

(b) Financial instruments measured at fair value (Continued)

The financial assets and financial liabilities measured at fair value in the condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 September 2021 (Unaudited)				
Financial assets at fair value through profit or loss				
— Listed securities	65,361	–	–	65,361
— Listed bonds	–	32,582	–	32,582
	65,361	32,582	–	97,943
Financial liabilities at fair value through profit or loss				
— Convertible bonds	–	–	1,170	1,170
At 31 March 2021 (Audited)				
Financial assets at fair value through profit or loss				
— Listed securities	65,716	–	–	65,716
— Listed bonds	–	29,128	–	29,128
Financial assets at fair value through other comprehensive income				
— Unlisted equity instruments	–	–	571	571
	65,716	29,128	571	95,415
Financial liabilities at fair value through profit or loss				
— Convertible bonds	–	–	1,170	1,170

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

27. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurement *(Continued)*

(b) Financial instruments measured at fair value *(Continued)*

The level in the fair value hierarchy within which the financial assets are categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement. During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (31 March 2021: nil).

The methods and valuation techniques used for the purpose of measuring fair value are unchanged for the reporting period.

Information about level 1 fair value measurements

Financial instruments which value are based on quoted market prices in active markets, and are therefore classified within level 1, include listed securities denominated in HK\$, EUR, SEK and US\$ classified as financial assets at fair value through profit or loss as at 30 September 2021 and 31 March 2021.

A market is regarded as active if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Information about level 2 fair value measurements

Financial instruments that are not traded in active markets but are valued based on quoted market prices, dealer quotations or alternative pricing sources from brokers supported by observable inputs are classified within level 2. Level 2 instruments include listed bonds denominated in US\$ classified as financial assets at fair value through profit or loss as at 30 September 2021 and 31 March 2021. As the securities were traded in markets that are not considered to be active, the valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

27. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement (Continued)

(b) Financial instruments measured at fair value (Continued)

Information about level 3 fair value measurements

(i) Equity investment

The fair value of the unlisted equity investment in InnoBlock Technology Limited (“InnoBlock”) is determined by applying income approach, using discounted cash flow method.

A reconciliation of the opening and closing fair value balance is provided below.

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Opening balance	571	–
Purchase	–	540
(Loss)/gain on revaluation	(571)	31
Closing balance	–	571

Significant unobservable inputs	31 March 2021
Weighted average cost of capital	19.04%
Long term revenue growth rate	2.50%
Discount for lack of marketability	20.60%
Discount for lack of control	30.80%

At 31 March 2021, increased long term revenue growth rate by 5% and lower weighted average cost of capital by 5% would increase the fair value of InnoBlock by approximately HK\$14,000. Lower long term revenue growth rate by 5% and higher weighted average cost of capital by 5% would decrease the value of InnoBlock by approximately HK\$17,000.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

27. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement (Continued)

(b) Financial instruments measured at fair value (Continued)

Information about level 3 fair value measurements (Continued)

(ii) Convertible bonds

The fair value of convertible bonds is determined by applying cost approach, using asset-based approach, based on the unaudited consolidated financial statements of Lohas Holdings. The valuation takes account of the terms and conditions of convertible bonds and the amount of outstanding convertible bonds.

A reconciliation of the opening and closing fair value balance is provided below.

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Opening balance	1,170	–
Acquisition of subsidiaries	–	1,165
Exchange difference	–	5
Closing balance	1,170	1,170

28. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these condensed consolidated interim financial statements, the Group also had the following significant related party transactions during the reporting period:

(a) Compensation of key management personnel

Compensation of key management personnel of the Group, including directors' remuneration, is as follows:

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Directors' fees	270	270
Salaries, allowances and other benefits	8,976	5,976
Equity settled share-based payment expenses	909	530
Contributions to retirement benefits schemes	45	45
	10,200	6,821

Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 September 2021

28. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party transactions

Name of related parties	Nature of transactions	Six months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Mr. Mui	Brokerage and securities financing income	49	45
Mr. Tang	Brokerage income	–	1

The above transactions with the related parties were negotiated and carried out in the ordinary course of business and at terms agreed between the Group and the related parties.

29. CONTINGENT LIABILITIES

As at 30 September 2021, the Group did not have any significant contingent liabilities (31 March 2021: nil).

30. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified, to conform with the current period's presentation and disclosures. The directors of the Company consider that such presentation would better reflect the financial performance and position of the Group.

During the six months ended 30 September 2021, interest income of HK\$2,505,000 (2020: HK\$1,657,000), dividend income of HK\$472,000 (2020: HK\$454,000) and net change in financial assets at fair value through profit or loss of loss of HK\$6,717,000 (2020: gain of HK\$18,018,000) were regrouped from "other income and gains or losses, net" to "revenue" in the condensed consolidated statement of profit or loss and other comprehensive income. The comparative figures had been regrouped to conform with the current period presentation.