

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



DL HOLDINGS GROUP LIMITED

德林控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1709)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

The board (the “**Board**”) of Directors (the “**Directors**”) of DL Holdings Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited interim results of the Group for the six months ended 30 September 2023 together with the comparative unaudited figures for the six months ended 30 September 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

| | | For the six months ended 30 September | |
|--|-------|--|-------------------------|
| | | 2023 | 2022 |
| | Notes | HK\$'000 (unaudited) | HK\$'000 (unaudited) |
| Revenue | 5 | 101,260 | 125,189 |
| Cost of sales/services | 7 | (50,395) | (59,121) |
| Gross profit | | 50,865 | 66,068 |
| Other gains/(losses), net | 6 | 7,457 | (41,862) |
| Selling expenses | 7 | (460) | (1,461) |
| General and administrative expenses | 7 | (49,131) | (40,223) |
| Expected credit loss (“ ECL ”) of receivables, net | 7 | (4,052) | (2,776) |
| Share of profit of an associate | | 6,146 | – |
| Operating profit/(loss) | | 10,825 | (20,254) |
| Finance income | 9 | 2,830 | 17 |
| Finance costs | 9 | (6,099) | (5,134) |
| Finance costs, net | | (3,269) | (5,117) |

| | | For the six months ended | |
|--|--------------|---------------------------------|--------------------|
| | | 30 September | |
| | | 2023 | 2022 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (unaudited) | (unaudited) |
| Profit/(Loss) before income tax | | 7,556 | (25,371) |
| Income tax expense | 10 | <u>(573)</u> | <u>(4,829)</u> |
| Profit/(Loss) for the period | | <u>6,983</u> | <u>(30,200)</u> |
| Other comprehensive expense, including reclassification adjustments | | | |
| <i>Item that will be reclassified subsequently to profit or loss</i> | | | |
| Exchange differences on translation of foreign operations | | <u>(193)</u> | <u>(546)</u> |
| Other comprehensive expense for the period, including reclassification adjustments | | <u>(193)</u> | <u>(546)</u> |
| Total comprehensive income/(expense) attributable to the owners of the Company for the period | | <u>6,790</u> | <u>(30,746)</u> |
| Earnings/(Loss) per share attributable to owners of the Company (expressed in HK cents per share) | | | |
| Basic | 12 | 0.50 | (2.15) |
| Diluted | 12 | <u>0.50</u> | <u>(2.15)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

| | <i>Notes</i> | As at 30 September 2023 HK\$'000 (unaudited) | As at 31 March 2023 HK\$'000 (audited) |
|---|--------------|---|---|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | <i>13</i> | 1,744 | 2,058 |
| Right-of-use assets | | 2,143 | 4,776 |
| Intangible assets | | 12,248 | 12,248 |
| Goodwill | | 19,397 | 19,397 |
| Deferred tax assets | | 1,294 | 256 |
| Deposits | <i>15</i> | – | 140 |
| Financial assets at fair value through profit or loss (“ Financial assets at FVTPL ”) | <i>14</i> | 117,268 | 133,686 |
| Interest in an associate | | 70,343 | 64,197 |
| | | 224,437 | 236,758 |
| Current assets | | | |
| Trade and other receivables, prepayments and deposits | <i>15</i> | 151,476 | 146,997 |
| Loan and interest receivables | <i>16</i> | 187,490 | 183,248 |
| Bank balances – trust | | 50,409 | 244,179 |
| Cash and cash equivalents | | 57,585 | 83,504 |
| | | 446,960 | 657,928 |
| Current liabilities | | | |
| Trade and other payables | <i>17</i> | 82,331 | 263,328 |
| Promissory notes | <i>18</i> | 19,213 | 14,856 |
| Bank borrowing | <i>19</i> | 51,000 | 50,000 |
| Bonds payable | <i>20</i> | 20,000 | 64,000 |
| Lease liabilities | | 2,296 | 4,140 |
| Income tax payable | | 9,992 | 21,224 |
| | | 184,832 | 417,548 |
| Net current assets | | 262,128 | 240,380 |
| Total assets less current liabilities | | 486,565 | 477,138 |

| | <i>Notes</i> | As at 30 September 2023 HK\$'000 (unaudited) | As at 31 March 2023 HK\$'000 (audited) |
|--------------------------------|--------------|---|---|
| Non-current liabilities | | | |
| Bonds payable | <i>19</i> | 59,000 | 41,000 |
| Lease liabilities | | <u>–</u> | <u>390</u> |
| | | <u>59,000</u> | <u>41,390</u> |
| Net assets | | <u>427,565</u> | <u>435,748</u> |
| Equity | | | |
| Share capital | <i>21</i> | 14,539 | 14,539 |
| Other reserves | | 227,117 | 228,116 |
| Retained earnings | | <u>185,909</u> | <u>193,093</u> |
| Total equity | | <u>427,565</u> | <u>435,748</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2023

1. GENERAL

DL Holdings Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 11 May 2015 as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company has established a place of business in Hong Kong at Unit 2902, Vertical Square, 28 Heung Yip Road, Wong Chuk Hang, Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company is an investment holding company and its subsidiaries (together the “**Group**”) are principally engaged in (i) provision of financial services of licensed businesses including financial advisory services; securities research services; securities trading and brokerage services; margin financing services; referral services; investment management and advisory services; and insurance brokerage services to customers; (ii) provision of money lending services to customers; (iii) sales of apparel products with the provision of supply chain management total solutions to customers; and (iv) provision of enterprise solutions services.

The directors consider the immediate holding company and the ultimate holding company of the Company is DA Wolf Investments I Limited.

2. BASIS OF PREPARATION

The interim financial report does not include all of the information and disclosures required in annual financial statements in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which comprises all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2023 (“**2023 Annual Financial Statements**”).

The preparation of these condensed consolidated interim financial statements requires the Company’s management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by the Company’s management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2023 Annual Financial Statements, except as disclosed in notes 3 and 4.

3. ACCOUNTING POLICIES AND USE OF JUDGEMENTS AND ESTIMATES

The accounting policies and methods of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those used in 2023 Annual Financial Statements.

4. APPLICATION OF NEW OR AMENDED HKFRSs

New and amended HKFRSs that are effective for annual periods beginning on 1 April 2023

The condensed consolidated interim financial statements for the six months ended 30 September 2023 have been prepared in accordance with the accounting policies adopted in 2023 Annual Financial Statements, except for the adoption of the following new and amended HKFRSs effective as of 1 April 2023. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

| | |
|--|---|
| HKFRS17 | Insurance Contracts and related amendments |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to HKAS 12 | International Tax Reform – Pillar Two Model Rules |

The application of the new and amended HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

Issued but not yet effective HKFRSs

At the date of authorisation of this condensed consolidated interim financial statements, certain amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

| | |
|---------------------------------------|--|
| Amendments to HKAS7 and HKFRS 7 | Supplier Finance Arrangement ¹ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback ¹ |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ¹ |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants ¹ |
| Amendments to HKAS 21 | Lack of Exchangeability ² |

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ Effective date not yet determined

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The amended HKFRSs are not expected to have a material impact on the Group's condensed consolidated interim financial statements.

5. REVENUE AND SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors (i.e. the chief operating decision-maker (“CODM”)) for their decisions about resources allocation to the Group’s business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group’s major product and service lines.

The Group has identified the following reportable segments for the six months ended 30 September 2023 and 2022:

- Financial services of licensed business – provision of financial advisory services; securities research services; securities trading and brokerage services; margin financing services; referral services; investment management and advisory services; and insurance brokerage services to the customers.
- Money lending services – provision of equity pledge financing services and money lending services to the customers;
- Sales of apparel products – sales of apparel products with the provision of supply chain management total solutions to customers; and
- Enterprise solutions services – provision of global identity planning and wealth inheritance consultancy services, and other business consultancy services.

Each of these reportable segments are managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm’s length prices.

For the purposes of assessing segment performance and allocating resources between segments, the Group’s CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to the revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation, certain bank interest income, finance costs, ECL of trade and other receivables, ECL of loan and interest receivables, net gains/(losses) on disposals of financial asset at FVTPL (related to segment of financial services of licensed business) and impairment of goodwill. Changes in fair value of financial assets at FVTPL (excluding financial assets at FVTPL in reportable and operating segments), certain net gains/(losses) on disposal of financial assets at FVTPL, certain bank interest income, certain finance costs, certain depreciation of right-of-use assets, share of profit in an associate and unallocated corporate expenses are not included in the result for each reportable segment.

Segment assets include all assets with the exception of financial assets at FVTPL and other corporate assets.

Segment liabilities include contract liabilities, trade and other payables, provision for reinstatement cost, lease liabilities, income tax payable and bank borrowing managed directly by the segments with exception of promissory notes, bonds payable, and other corporate liabilities.

Disaggregation of revenue from contracts with customers by major products or service lines and timing of revenue recognition are as follows:

| | For the six months ended | |
|---|---------------------------------|--------------------|
| | 30 September | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| Disaggregated by major products or service lines | | |
| – Provision of financial services of licensed business (<i>note</i>) | 72,861 | 80,994 |
| – Sales of apparel products | 589 | 16,223 |
| – Provision of supply chain management | 2,004 | – |
| – Provision of enterprise solutions services | <u>11,986</u> | <u>12,028</u> |
| | 87,440 | 109,245 |
| Revenue from other sources | | |
| – Interest income from provision of money lending services | 8,324 | 8,259 |
| – Interest income from provision of margin financing services | <u>5,496</u> | <u>7,685</u> |
| | <u>13,820</u> | 15,944 |
| | <u>101,260</u> | <u>125,189</u> |
| Disaggregated by timing of revenue recognition under HKFRS 15 | | |
| – Services provided over time | 15,748 | 15,503 |
| – Services provided at a point in time | 71,103 | 77,519 |
| – Goods transferred at a point in time | <u>589</u> | <u>16,223</u> |
| | 87,440 | 109,245 |
| Revenue from other sources | | |
| – Interest income from provision of money lending services | 8,324 | 8,259 |
| – Interest income from provision of margin financing services | <u>5,496</u> | <u>7,685</u> |
| | <u>13,820</u> | 15,944 |
| | <u>101,260</u> | <u>125,189</u> |

The Group applied the practical expedient in HKFRS 15.94 and therefore expensed the incremental costs of obtaining a contract if the amortisation period is one year or less.

Note:

| | For the six months ended | |
|--|---------------------------------|-------------|
| | 30 September | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Revenue from provision of financial services of licensed business | | |
| Service fee income from financial advisory services and investment management services | 64,888 | 77,606 |
| Commission and brokerage arising on securities dealing | 1,428 | 3,388 |
| Commission and brokerage from insurance brokerage services | 6,545 | – |
| | 72,861 | 80,994 |

The segment information provided to the CODM for the reportable segments for the six months ended 30 September 2023 is as follows:

| | Financial services of licensed business <i>HK\$'000</i> (unaudited) | Money lending services <i>HK\$'000</i> (unaudited) | Sales of apparel products <i>HK\$'000</i> (unaudited) | Enterprise solutions services <i>HK\$'000</i> (unaudited) | Inter- company elimination <i>HK\$'000</i> (unaudited) | Total <i>HK\$'000</i> (unaudited) |
|--|--|--|---|---|--|---|
| Revenue | | | | | | |
| – From external customers | 78,357 | 8,324 | 2,593 | 11,986 | – | 101,260 |
| – Inter-segment revenue | 849 | – | – | – | (849) | – |
| Reportable segment revenue | 79,206 | 8,324 | 2,593 | 11,986 | (849) | 101,260 |
| Reportable segment profit/(loss) | 1,492 | 2,635 | (3,297) | 6,272 | (24) | 7,078 |
| Bank interest income | | | | | | 5 |
| Unallocated other gains, net | | | | | | |
| – Net fair value gains on financial assets at FVTPL | | | | | | 3,707 |
| Corporate and other unallocated expenses including depreciation of right-of-use assets of HK\$1,366,000 | | | | | | (5,522) |
| Share of profit of an associate | | | | | | 6,146 |
| Finance costs | | | | | | (3,858) |
| Profit before income tax | | | | | | <u>7,556</u> |
| Other information: | | | | | | |
| Net gains on disposals of financial assets at FVTPL | 8 | – | – | 2,477 | – | 2,485 |
| Net fair value losses on financial assets at FVTPL | (625) | – | – | – | (24) | (649) |
| Bank interest income | 2,802 | 7 | –* | 16 | – | 2,825 |
| Written off of property, plant and equipment | – | – | – | (25) | – | (25) |
| Depreciation of property, plant and equipment | (335) | – | (33) | (6) | – | (374) |
| Depreciation of right-of-use assets (Provision for)/Reversal of ECL on | – | – | (1,267) | – | – | (1,267) |
| – trade and other receivables | (82) | – | – | 42 | – | (40) |
| – loan and interest receivables | – | (4,012) | – | – | – | (4,012) |
| Share of profit of an associate | – | – | – | 6,146 | – | 6,146 |
| Finance costs | (1,608) | (625) | (8) | – | – | (2,241) |
| Income tax expense | (364) | (59) | – | (150) | – | (573) |

* Amount less than HK\$1,000

The segment information provided to the CODM for the reportable segments for the six months ended 30 September 2022 is as follows:

| | Financial services of licensed business <i>HK\$'000</i> (unaudited) | Money lending services <i>HK\$'000</i> (unaudited) | Sales of apparel products <i>HK\$'000</i> (unaudited) | Enterprise solutions services <i>HK\$'000</i> (unaudited) | Inter- company elimination <i>HK\$'000</i> (unaudited) | Total <i>HK\$'000</i> (unaudited) |
|---|--|--|---|---|--|---|
| Revenue | | | | | | |
| - From external customers | 88,679 | 8,259 | 16,223 | 12,028 | - | 125,189 |
| - Inter-segment revenue | <u>314</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(314)</u> | <u>-</u> |
| Reportable segment revenue | <u>88,993</u> | <u>8,259</u> | <u>16,223</u> | <u>12,028</u> | <u>(314)</u> | <u>125,189</u> |
| Reportable segment profit/(loss) | 22,058 | 5,651 | (5,211) | 617 | - | 23,115 |
| Unallocated other gains/(losses), net | | | | | | |
| - Net gain on disposals of financial assets at FVTPL | | | | | | 35 |
| - Net fair value losses on financial assets at FVTPL | | | | | | (40,524) |
| Corporate and other unallocated expenses including depreciation of right-of-use assets of HK\$1,366,000 | | | | | | (4,509) |
| Finance costs | | | | | | <u>(3,488)</u> |
| Loss before income tax | | | | | | <u>(25,371)</u> |
| Other information: | | | | | | |
| Net losses on disposals of financial assets at FVTPL | (969) | - | - | - | - | (969) |
| Net fair value losses on financial assets at FVTPL | (54) | - | - | - | - | (54) |
| Bank interest income | 15 | - | - | 2 | - | 17 |
| Written off of property, plant and equipment | (830) | - | - | - | - | (830) |
| Depreciation of property, plant and equipment | (503) | - | (24) | (18) | - | (545) |
| Depreciation of right-of-use assets | (502) | - | (1,300) | - | - | (1,802) |
| (Provision for)/reversal of ECL on | | | | | | |
| - trade and other receivables | (1,489) | - | 396 | (248) | - | (1,341) |
| - loan and interest receivables | - | (1,435) | - | - | - | (1,435) |
| Impairment of goodwill | (1,335) | - | - | - | - | (1,335) |
| Finance costs | (1,141) | (464) | (41) | - | - | (1,646) |
| Income tax expense | <u>(3,294)</u> | <u>(1,169)</u> | <u>-</u> | <u>(366)</u> | <u>-</u> | <u>(4,829)</u> |

| | Financial services of licensed business <i>HK\$'000</i> | Money lending services <i>HK\$'000</i> | Sales of apparel products <i>HK\$'000</i> | Enterprise solutions services <i>HK\$'000</i> | Unallocated corporate assets/ (liabilities) <i>HK\$'000</i> | Inter- company elimination <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--------------------------------------|---|---|--|--|---|---|--------------------------|
| As at 30 September 2023 | | | | | | | |
| (unaudited) | | | | | | | |
| Reportable segment assets | 381,305 | 195,928 | 35,248 | 41,752 | 497,227 | (480,063) | 671,397 |
| Reportable segment liabilities | 195,815 | 161,124 | 5,145 | 5,685 | 270,186 | (394,123) | 243,832 |
| Additions to non-current assets | 65 | - | - | 20 | - | - | 85 |
| As at 31 March 2023 (audited) | | | | | | | |
| Reportable segment assets | 528,450 | 191,855 | 43,042 | 109,546 | 391,671 | (369,878) | 894,686 |
| Reportable segment liabilities | 310,534 | 159,030 | 9,642 | 100,690 | 163,029 | (283,987) | 458,938 |
| Additions to non-current assets | 207 | - | 1,966 | 12,847 | - | - | 15,020 |

6. OTHER GAINS/(LOSSES), NET

| | For the six months ended | |
|--|---------------------------------|-----------------|
| | 30 September | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Net gains/(losses) on disposals of financial assets at FVTPL | 2,485 | (934) |
| Net fair value gains/(losses) on financial assets at FVTPL | 3,058 | (40,578) |
| Dividend income from financial assets at FVTPL | 972 | 12 |
| Loss on early termination of lease | – | (2) |
| Government grants (<i>note</i>) | 235 | 1,153 |
| Net foreign exchange gain | – | 30 |
| Impairment loss on goodwill | – | (1,335) |
| Written off of property, plant and equipment | (25) | (830) |
| Others | 732 | 622 |
| | <u>7,457</u> | <u>(41,862)</u> |

Note:

During the six months ended 30 September 2023

Being the grants received from (i) Job Growth Incentive Payout of approximately HK\$52,000 (ii) Maternity leaves approximately HK\$174,000 and (iii) Childcare leaves approximately HK\$9,000 provided by the Singapore Government.

During the six months ended 30 September 2022

Being the grants received from (i) the COVID-19 Anti-epidemic Fund under the Employment Support Scheme of approximately HK\$876,000, (ii) Financial Industry Recruitment Scheme for Young Graduates launched by the Government of the Hong Kong Special Administrative Region of HK\$60,000 and (iii) Job Growth Incentive Payout of approximately HK\$101,000 and Digital Acceleration Grant of approximately HK\$116,000 provided by the Singapore Government.

7. EXPENSES BY NATURE

| | For the six months ended | |
|---|---------------------------------|--------------------|
| | 30 September | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Auditors' remuneration – other service | 390 | 944 |
| Bad debt written off | – | 600 |
| Consultancy fees | 9,287 | 4,959 |
| Cost of goods sold | 507 | 14,576 |
| Cost of services | 49,888 | 43,495 |
| Depreciation of property, plant and equipment | 374 | 545 |
| Depreciation of right-of-use assets | 2,633 | 3,168 |
| Donation | 601 | – |
| Provision for ECL on trade receivables | 40 | 1,341 |
| Provision for ECL on loan and interest receivables, net | 4,012 | 1,435 |
| ECL on receivables, net | 4,052 | 2,776 |
| Employee benefit expenses (<i>note 8</i>) | 22,253 | 20,680 |
| Entertainment and travelling expenses | 2,386 | 3,318 |
| Exchange difference, net | 466 | (118) |
| Marketing fees | 378 | 551 |
| Sales commission | – | 541 |
| Short-term leases/low-value leases in respect of | | |
| – office | 199 | 154 |
| – car park | 80 | 113 |
| Other expenses | 10,544 | 7,279 |
| Total cost of sales/services, selling expenses, general and administrative expenses and ECL of receivables, net | 104,038 | 103,581 |

8. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

| | For the six months ended | |
|--|---------------------------------|--------------------|
| | 30 September | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Salaries, bonus and other short-term employee benefits | 21,590 | 19,621 |
| Share award granted to employees | 3 | 552 |
| Pension costs – defined contribution plans | 660 | 507 |
| | 22,253 | 20,680 |

9. FINANCE COSTS, NET

| | For the six months ended | |
|--|---------------------------------|--------------------|
| | 30 September | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Finance income | | |
| Bank interest income | 2,830 | 17 |
| Finance costs | | |
| Interest expenses on bank borrowing | (1,607) | (1,136) |
| Interest expenses on lease liabilities | (37) | (107) |
| Interest expenses on bonds payable | (3,829) | (3,427) |
| Interest expenses on promissory notes | (626) | (464) |
| | (6,099) | (5,134) |
| Finance cost, net | (3,269) | (5,117) |

10. INCOME TAX EXPENSE

Hong Kong

| | For the six months ended | |
|--------------------|--------------------------|--------------|
| | 30 September | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Current income tax | | |
| – Hong Kong | <u>1,611</u> | <u>4,829</u> |
| Deferred tax | <u>(1,038)</u> | <u>–</u> |
| | <u>573</u> | <u>4,829</u> |

The provision for Hong Kong Profits Tax for the six months ended 30 September 2023 is calculated at 16.5% (six months ended 30 September 2022: 16.5%) of the estimated assessable profits for the period, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying entities are taxed at 8.25% (six months ended 30 September 2022: 8.25%), and the profits above HK\$2,000,000 are taxed at 16.5% (six months ended 30 September 2022 16.5%).

Cayman Islands and British Virgin Islands (“BVI”)

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company and its subsidiaries are not subject to any taxation under the jurisdictions of the Cayman Islands and the BVI.

Singapore

Singapore profits tax has not been provided as the subsidiary of the Group has no estimated assessable profits in the jurisdiction.

PRC

For the subsidiaries of the Group in the PRC, under the notice of the Ministry of Finance and the State Administration of Taxation on Preferential Income Tax Policies for Small Low-Profit Enterprises, for the portion of profit less than RMB1,000,000, 25% of the profit will be taxed at 20% and profits within the range of RMB1,000,000 to RMB3,000,000, 50% of the profit will be taxed at 20%.

11. DIVIDENDS

(a) Dividends attributable to the period

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2022 and 2023.

(b) Dividends attributable to the previous financial year, approved and paid/payable during the period

| | For the six months ended | |
|---|--------------------------|---------------|
| | 30 September | |
| | 2023 | 2022 |
| | (unaudited) | (unaudited) |
| Final dividend in respect of the previous financial year ended 31 March 2023 of HK1.03 cents (six months ended 30 September 2022: final dividend in respect of the previous financial year ended 31 March 2022 of HK1.40 cents) per share | <u>14,976</u> | <u>19,271</u> |

12. EARNINGS/(LOSS) PER SHARE

12.1 Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares of the Company in issue during the respective periods.

| | For the six months ended | |
|---|--------------------------|---------------|
| | 30 September | |
| | 2023 | 2022 |
| | (unaudited) | (unaudited) |
| Profit/(Loss) attributable to owners of the Company (HK\$'000) | 6,983 | (30,200) |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share ('000) | 1,388,802 | 1,402,953 |
| Basic earnings/(loss) per share (HK cents per share) | <u>0.50</u> | <u>(2.15)</u> |

12.2 Diluted

| | For the six months ended | |
|---|--------------------------|------------------|
| | 30 September | |
| | 2023 | 2022 |
| | (unaudited) | (unaudited) |
| Profit/(Loss) attributable to owners of the Company (HK\$'000) | 6,983 | (30,200) |
| Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share ('000) | 1,388,802 | 1,402,953 |
| Effect of dilutive potential ordinary shares | | |
| – share options ('000) | 3,865 | – |
| – share award ('000) | 59 | – |
| | <u>1,392,726</u> | <u>1,402,953</u> |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share ('000) | | |
| | <u>1,392,726</u> | <u>1,402,953</u> |
| Diluted earnings/(loss) per share (HK cents per share) | <u>0.50</u> | <u>(2.15)</u> |

Note:

The calculation of the basic earnings/(loss) per share amount is based on profit/(loss) attributable to owners of the Company and the weighted average number of ordinary shares in issue during the period as adjusted to exclude the shares held under the Share Award Scheme.

The calculation of the diluted earnings/(loss) per share are based on the profit/(loss) attributable to owners of the Company and the weighted average number of ordinary shares in issue during the period and excluded the shares held under the Share Award Scheme, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive potential ordinary shares with into ordinary shares and the restricted shares under the Shares Award Scheme.

13. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 September 2023, the Group purchased property, plant and equipment of approximately HK\$85,000 (unaudited) (six months ended 30 September 2022: HK\$357,000 (unaudited)).

During the six months ended 30 September 2023, there is no addition to right-of-use assets (unaudited) (six months ended 30 September 2022: approximately HK\$2,449,000 (unaudited)).

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (“FINANCIAL ASSETS AT FVTPL”)

| | <i>Notes</i> | As at 30 September 2023 <i>HK\$’000</i> (unaudited) | As at 31 March 2023 <i>HK\$’000</i> (audited) |
|---------------------------------------|--------------|--|---|
| Non-current portion | | | |
| <i>Listed securities</i> | | | |
| Equity securities – Hong Kong | | – | 24,125 |
| <i>Non-listed securities</i> | | | |
| Investment funds | <i>(i)</i> | 6,436 | 2,436 |
| Equity investment – outside Hong Kong | <i>(ii)</i> | 110,832 | 107,125 |
| | | 117,268 | 133,686 |

Notes:

- (i) The fair value of the unlisted investment funds is based on the net asset value of the investment funds reported to the limited partners by the general partner at the end of the reporting period.
- (ii) It represents investment in an unlisted company related to 26.65% (unaudited) of the interest in the Carmel Reserve LLC as the non-voting class B membership interest as at 30 September 2023. (31 March 2023: 26.65% (audited)).

15. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

| | As at 30 September 2023 <i>HK\$'000</i> (unaudited) | As at 31 March 2023 <i>HK\$'000</i> (audited) |
|---|---|---|
| Gross trade receivables (excluding margin receivables and receivables from investment management services, financial advisory services and enterprise solutions services) | 1,800 | 3,174 |
| Gross trade receivables – investment management services | 13,139 | 7,262 |
| Gross trade receivables – margin receivables (<i>note (a)</i>) | 93,835 | 102,938 |
| Gross trade receivables – financial advisory services | 14,696 | 18,569 |
| Gross trade receivables – enterprise solutions services | <u>5,959</u> | <u>4,109</u> |
| Trade receivables | 129,429 | 136,052 |
| Less: Provision for expected credit loss | <u>(1,774)</u> | <u>(1,734)</u> |
| Trade receivables, net of provision | 127,655 | 134,318 |
| Prepayments | 1,745 | 2,287 |
| Payment in advance to suppliers | 28 | 18 |
| Rental deposits | 1,517 | 1,517 |
| Amount due from an associate (<i>note (b)</i>) | 904 | 952 |
| Amount due from an investee company (<i>note (b)</i>) | 373 | 373 |
| Amounts due from related parties (<i>note (b)</i>) | 1,595 | 30 |
| Other receivables and deposits (<i>note (c)</i>) | <u>17,659</u> | <u>7,642</u> |
| Total trade and other receivables, prepayments and deposits | 151,476 | 147,137 |
| Less: Non-current portion | | |
| Long-term portion of deposits | <u>–</u> | <u>(140)</u> |
| | <u><u>151,476</u></u> | <u><u>146,997</u></u> |

Notes:

- (a) Margin receivables are secured by the clients' pledged securities with undiscounted market value of approximately HK\$532,397,000 (unaudited) (31 March 2023: HK\$599,236,000 (audited)) as at 30 September 2023 which can be sold at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. Trade receivables from margin clients are repayable on demand and bear interest at commercial rates. The Group repledged approximately HK\$98,223,000 (unaudited) (31 March 2023: HK\$129,570,000 (audited)) of the collateral from margin clients to secure the Group's loan facility related to bank borrowing during the period ended 30 September 2023.

- (b) As at 30 September 2023, the amounts due from an associate, an investee company and related parties amounting to HK\$904,000 (unaudited) (31 March 2023: HK\$952,000 (audited)), HK\$373,000 (unaudited) (31 March 2023: HK\$373,000 (audited) and HK\$1,595,000 (unaudited) (31 March 2023: HK\$30,000 (audited)), respectively, are unsecured, interest-free and repayable on demand.
- (c) The increase in other receivables as at 30 September 2023 was mainly due to the increase in a temporary payment to a subcontractor made by the Group during the reporting period.

The settlement terms of trade receivables, except for secured margin clients, arising from the business of dealing in securities are two days after trade date. In addition, the settlement terms of Hong Kong Securities Clearing Company Limited are two days after trade date. For the remaining trade receivables, the Group allows an average credit period of 30-90 days (unaudited) (31 March 2023: 30-90 days (audited)) to its trade customers of other business.

No ageing analysis is disclosed for the Group's margin clients as these margin clients were carried on an open account basis, and only fall due on conditions or on demand by the Group. The directors of the Company consider that an ageing analysis does not give additional value in the view of the value of business of margin financing.

At 30 September 2023 and 31 March 2023, the ageing analysis of trade receivables (except margin receivables), net of ECL allowance, based on invoice date is as follows:

| | As at 30 September 2023 HK\$'000 (unaudited) | As at 31 March 2023 HK\$'000 (audited) |
|---------------|---|--|
| 1 to 30 days | 20,036 | 22,747 |
| 31 to 60 days | 117 | 3,920 |
| 61 to 90 days | 188 | 825 |
| Over 90 days | 13,479 | 3,888 |
| | <u>33,820</u> | <u>31,380</u> |

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables. To measure the ECL, these receivables have been grouped based on shared credit risk characteristics and the ageing from billing. For margin receivables, the Group applied the general approach in calculating ECL and recognises an ECL allowance based on 12-month ECL at each reporting date. Margin receivables have been grouped based on the shortfall of loan balances over the respective collateral amounts and the days past due.

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. Other than margin receivables, the Group does not hold any collateral as securities on its trade receivables.

The movement in the provision of ECL allowance of trade receivables is as follows:

| | HK\$'000 |
|--|----------------------------|
| Balance as at 1 April 2022 (audited) | 666 |
| ECL allowance for the year | <u>1,068</u> |
| Balance as at 31 March 2023 and 1 April 2023 (audited) | 1,734 |
| Reversal of ECL allowance for the period | (466) |
| ECL allowance for the period | <u>506</u> |
| Balance as at 30 September (unaudited) | <u><u>1,774</u></u> |

The carrying amounts of deposits, prepayments, trade and other receivables approximated their fair values.

16. LOAN AND INTEREST RECEIVABLES

Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management.

As at 30 September 2023 and 31 March 2023, all loan and interest receivables are not past due. All loan and interest receivables, based on the maturity date, mature within one year and are denominated in HK\$ and United States Dollar.

| | As at 30 September 2023 HK\$'000 (unaudited) | As at 31 March 2023 HK\$'000 (audited) |
|---|---|---|
| Loan receivables | 184,095 | 174,054 |
| Less: Provision for ECL on loan receivables – Stage 1 and 2 | <u>(5,938)</u> | <u>(2,136)</u> |
| Loan receivables, net of provision | <u>178,157</u> | <u>171,918</u> |
| Interest receivables | 9,687 | 11,474 |
| Less: Provision for ECL on interest receivables – Stage 1 and 2 | <u>(354)</u> | <u>(144)</u> |
| Interest receivables, net of provision | <u>9,333</u> | <u>11,330</u> |
| Loan and interest receivables, net of provision | <u><u>187,490</u></u> | <u><u>183,248</u></u> |

The credit quality analysis of the loan and interest receivables is as follows:

| | As at 30 September 2023 HK\$'000 (unaudited) | As at 31 March 2023 HK\$'000 (audited) |
|-------------------------------|---|--|
| Loan receivables | | |
| Neither past due nor impaired | | |
| – Secured | 7,943 | 8,117 |
| – Unsecured | <u>170,214</u> | <u>163,801</u> |
| | <u>178,157</u> | <u>171,918</u> |
| Interest receivables | | |
| Neither past due nor impaired | | |
| – Secured | 375 | 863 |
| – Unsecured | <u>8,958</u> | <u>10,467</u> |
| | <u>9,333</u> | <u>11,330</u> |
| | <u><u>187,490</u></u> | <u><u>183,248</u></u> |

Loan with gross carrying amount of (i) HK\$1,200,000 (unaudited) (31 March 2023: HK\$1,200,000 (audited)) was secured by the shares of certain companies incorporated in BVI; (ii) HK\$4,700,000 (unaudited) (31 March 2023: HK\$5,000,000 (audited)) was secured by certain loans and interest receivables of the customer approximately amounting to HK\$10,769,000 (unaudited) (31 March 2023: HK\$10,769,000 (audited)); (iii) HK\$2,000,000 (unaudited) (31 March 2023: HK\$2,000,000 (audited)) was secured by the securities account maintained in the subsidiary of the Group, DL Securities, investment in limited partnership fund of US\$250,000.

Loan receivables bear interest from 8%-15% (unaudited) (31 March 2023: 8%-15% (audited)) per annum and repayable in fixed term agreed with customers. Interest receivables bear interest from 8%-36% (unaudited) (31 March 2023: 8%-36% (audited)) per annum for default interest and repayable in fixed term agreed with customers. The maximum exposure to credit risk at each of the reporting date is the carrying value of the loan and interest receivables mentioned above.

| | Loan receivables | Interest receivables | Total |
|---|-----------------------------|---------------------------------|-----------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Balance at 1 April 2023 (audited) | 171,918 | 11,330 | 183,248 |
| New loans originated | 65,259 | 8,971 | 74,230 |
| Amounts recovered or repaid during the period | (56,953) | (9,023) | (65,976) |
| Transfer interest portion to loan portion | 1,736 | (1,736) | – |
| Reversal of ECL allowance on loan and interest receivables | 462 | 45 | 507 |
| ECL allowance under 12-month ECL (Stage 1) recognised during the period | (1,152) | (92) | (1,244) |
| ECL allowance under lifetime ECL (Stage 2) recognised during the period | (3,113) | (162) | (3,275) |
| Balance at 30 September 2023 (unaudited) | <u>178,157</u> | <u>9,333</u> | <u>187,490</u> |
| Balance at 1 April 2022 (audited) | 159,790 | 6,843 | 166,633 |
| New loans originated | 178,558 | 16,623 | 195,181 |
| Amounts recovered or repaid during the year | (165,914) | (12,060) | (177,974) |
| Reversal of ECL allowance on loan and interest receivables | 1,620 | 68 | 1,688 |
| ECL allowance under 12-month ECL (Stage 1) recognised during the year | (2,136) | (144) | (2,280) |
| Balance at 31 March 2023 (audited) | <u>171,918</u> | <u>11,330</u> | <u>183,248</u> |

For loan and interest receivables that are not credit-impaired without significant increase in credit risk since initial recognition (“**Stage 1**”), ECL is measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. If a significant increase in credit risk since initial recognition is identified (“**Stage 2**”) but not yet deemed to be credit impaired, ECL is measured based on lifetime ECL. If credit impaired is identified (“**Stage 3**”), ECL is measured based on lifetime ECL. In general, when loans and interest receivables are overdue by 30 days, there is significant increase in credit risk.

Directors consider that the fair values of loan and interest receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

17. TRADE AND OTHER PAYABLES

| | As at 30 September 2023 <i>HK\$'000</i> (unaudited) | As at 31 March 2023 <i>HK\$'000</i> (audited) |
|--|---|---|
| Trade payables (<i>note (a)</i>) | 3,883 | 8,868 |
| Trade payables to securities brokerage clients (<i>note (b)</i>) | 47,530 | 240,340 |
| Contract liabilities (<i>note (c)</i>) | 570 | 1,336 |
| Provision for reinstatement cost | – | 250 |
| Accrued employee benefits expenses | 1,118 | 653 |
| Other payables (<i>note (d)</i>) | 14,116 | 11,743 |
| Dividend payable | 14,976 | – |
| Amount due to related parties | 138 | 138 |
| | <u>82,331</u> | <u>263,328</u> |

Notes:

- (a) The carrying amount of trade and other payables approximated their fair values. The Group was granted by its suppliers' credit periods ranging from 30–90 days (unaudited) (31 March 2023: 30–90 days (audited)). Based on the invoice dates, the aging analysis of the trade payables (excluding payables from securities dealing business) were as follows:

| | As at 30 September 2023 <i>HK\$'000</i> (unaudited) | As at 31 March 2023 <i>HK\$'000</i> (audited) |
|--|---|---|
| 1 to 30 days | 1,039 | 8,032 |
| 31 to 60 days | 267 | 439 |
| 61 to 90 days | – | 222 |
| Over 90 days | 2,577 | 175 |
| | <u>3,883</u> | <u>8,868</u> |
| Total trade payables (excluding payables from securities dealing business) | <u>3,883</u> | <u>8,868</u> |

- (b) The directors of the Company considered that the fair values of trade payables from securities dealing business are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

No ageing analysis of payables arose from securities dealing business is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

- (c) The contract liabilities that is expected to be settled after more than one year is nil (unaudited) (31 March 2023: HK\$28,000 (audited)).
- (d) It mainly represents (i) accruals of audit fee, consultancy fee, sales commission, interest expenses on bonds payable, promissory notes, bank borrowing and other operating expenses and (ii) amount due to the limited partnership funds or managed funds.

18. PROMISSORY NOTES

During the six months ended 30 September 2023, the Group had issued one promissory note amounting to HK\$4,400,000 to a third party and is unsecured, bear interest rate of 10% per annum and mature in three months from the date of issue, 19 December 2023.

During the year ended 31 March 2023, the Group had issued one promissory note amounting to HK\$14,820,000 to a third party and is unsecured, bears interest rate of 8% per annum and matures in 3 months from the date of issue, on 19 June 2023. During the six months ended 30 September 2023, the promissory note was renewed with the same terms and conditions and is mature on 19 December 2023.

As at 30 September, the promissory notes are unsecured, bear interest rate from 8 to 10% per annum and mature on 19 December 2023.

As at 31 March 2023, the promissory note is unsecured, bears interest rate of 8% per annum and matures in 3 months from the date of issue, on 19 June 2023.

The following table shows the remaining contractual maturities of the promissory notes:

| | As at 30 September 2023 HK\$'000 (unaudited) | As at 31 March 2023 HK\$'000 (audited) |
|--|---|--|
| Total minimum payments: | | |
| Due within one year | 19,592 | 15,116 |
| Future finance charges on promissory notes | (379) | (260) |
| Present value of promissory notes | <u>19,213</u> | <u>14,856</u> |

19. BANK BORROWING

As at 30 September 2023, the bank borrowing was repayable within 1 year with a floating interest rate of 2 to 2.3% per annum over the Hong Kong Interbank Offered Rate as determined by the bank for an interest period of 1 or 2 week(s) or 1,2, or 3 month(s) on the first business day of such interest period (six months ended 30 September 2022: 2.3% per annum over the Hong Kong Interbank Offered Rate as determined by the bank for an interest period of 3 months on the first business day of such interest period). Effective interest rate was 6.57% (six months ended 30 September 2022: 3.37%) during the six months ended 30 September 2023. The exposure of the bank borrowing to interest rate changes and the contractual repricing dates as at 30 September 2023 was within one year.

As at 30 September 2023, the Group repledged approximately HK\$98,223,000 (unaudited) (31 March 2023: HK\$129,570,000 (audited)) of the collateral from margin clients to secure the Group's loan facility related to bank borrowing.

As at 30 September 2023, the bank borrowing was secured by corporate guarantee amounting to HK\$120,000,000 (unaudited) (31 March 2023: HK\$120,000,000(audited)) given by the Company.

20. BONDS PAYABLE

| | As at 30 September 2023 <i>HK\$'000</i> (unaudited) | As at 31 March 2023 <i>HK\$'000</i> (audited) |
|---|---|---|
| Bonds carried at fixed coupon rate of 5% per annum (<i>note (a)</i>) | 11,000 | 11,000 |
| Bonds carried at fixed coupon rate of 8% per annum (<i>note (b)</i>) | 30,000 | 74,000 |
| Bonds carried at fixed coupon rate of 10% per annum (<i>note (c)</i>) | <u>38,000</u> | <u>20,000</u> |
| | 79,000 | 105,000 |
| Less: non-current portion | <u>(59,000)</u> | <u>(41,000)</u> |
| Current portion | <u>20,000</u> | <u>64,000</u> |

Notes:

- (a) The Company issued 5% coupon unlisted bonds during the year ended 31 March 2023 with aggregate principal amount of HK\$5,000,000. The amounts were repayable within 84 months from the date of issue.

The Company issued 5% coupon unlisted bonds during the year ended 31 March 2021 with aggregate principal amount of HK\$6,000,000. The amounts were repayable within 84 months from the date of issue.

- (b) The Company issued 8% coupon unlisted bonds during the year ended 31 March 2022 with the aggregate principal amount of HK\$87,000,000 of which HK\$30,000,000 was repayable within 60 months from the date of issue, HK\$44,000,000 was repayable within 24 months from the date of issue and HK\$13,000,000 was repayable within 12 months from the date of issue, respectively, for which HK\$13,000,000 was fully repaid during the year ended 31 March 2023 and HK\$44,000,000 was repaid during the six months ended 30 September 2023. As at 30 September 2023, nil (unaudited) (31 March 2023: HK\$44,000,000 (audited)) is repayable within 12 months.
- (c) The Company issued 10% coupon unlisted bonds during the six months ended 30 September 2023 with the aggregate principal amount of HK\$18,000,000. The amounts of HK\$18,000,000 was repayable within 24 months from the date of issue.

The Company issued 10% coupon unlisted bonds during the year ended 31 March 2023 with the aggregate principal amount of HK\$20,000,000. The amounts of HK\$20,000,000 was repayable within 12 months from the date of issue. As at 30 September 2023, HK\$20,000,000 (unaudited) (31 March 2023: HK\$20,000,000 (audited)) is repayable within 12 months.

21. SHARE CAPITAL

| | Number of ordinary shares | Nominal value of ordinary shares HK\$'000 |
|--|--|--|
| Authorised share capital | | |
| As at 1 April 2022, 31 March 2023, 1 April 2023 (audited) and 30 September 2023 (unaudited) | <u>10,000,000,000</u> | <u>100,000</u> |
| Issued and fully paid | | |
| As at 1 April 2022 (audited) | 1,430,121,000 | 14,301 |
| Issue of shares upon bonus issue (<i>note</i>) | <u>23,835,350</u> | <u>238</u> |
| As at 31 March 2023, 1 April 2023 (audited) and 30 September 2023 (unaudited) | <u>1,453,956,350</u> | <u>14,539</u> |

Note: On 20 September 2022, the Company was approved for bonus issue of shares on the basis of one new share for every 60 existing ordinary shares held by the members on 29 September 2022. A total of 23,835,350 shares were issued on 14 October 2022.

22. COMMITMENTS

22.1 Capital commitment

| | As at 30 September 2023 <i>HK\$'000</i> (unaudited) | As at 31 March 2023 <i>HK\$'000</i> (audited) |
|---|--|--|
| Contracted but not provided for | | |
| Capital injection to limited partnership funds | 9,276 | 3,276 |
| Consideration in acquisition of the remaining 55.00% equity interest in an associate | <u>220,000</u> | <u>–</u> |
| | <u>229,276</u> | <u>3,276</u> |

22.2 Commitment as lessee

As at 30 September 2023, the lease commitment for low-value asset lease is as follows:

| | As at 30 September 2023 <i>HK\$'000</i> (unaudited) | As at 31 March 2023 <i>HK\$'000</i> (audited) |
|-----------------|--|--|
| Within one year | <u>–</u> | <u>16</u> |

Total future cash outflows for this lease amounting to nil (unaudited) (31 March 2023: HK\$16,000 (audited)) in aggregate which are included in the table above.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 September 2023 (the “**Reporting Period**”), despite the uncertainties cast on the global economic prospect by the international conflicts and other market events, the Group continued to expand its financial services of licensed business, including, financial advisory services; securities research services; securities trading and brokerage services; margin financing services; referral services; investment management and advisory services; insurance brokerage services to customers; and money lending services (the “**Financial Services Businesses**”).

During the Reporting Period, the Group recorded a decrease in revenue by approximately 19.1% to approximately HK\$101.3 million (six months ended 30 September 2022: HK\$125.2 million). Gross profit decreased by approximately 23.0% to approximately HK\$50.9 million (six months ended 30 September 2022: HK\$66.1 million). The Group recorded a profit for the period of approximately HK\$7.0 million (six months ended 30 September 2022: loss for the period of HK\$30.2 million).

Provision of financial services of licensed business

The financial services provided by the licensed business of the Group include financial advisory services; securities research services; securities trading and brokerage services; margin financing services; referral services; investment management and advisory services; and insurance brokerage services to customers.

The financial advisory services provided by the Group include advising clients on corporate finance. During the Reporting Period, the Group has provided financial advisory services to its clients from different industry sectors, including communications, industrial, consumer, technology, and financial sectors, and some of which are companies listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The securities research services include conducting research by the in-house analysts of the Group and producing research reports for clients in relation to our securities trading and brokerage and margin financing services.

The securities trading and brokerage services include trading securities on behalf of the clients of the Group. As at 30 September 2023, the Group had 482 (31 March 2023: 418) securities brokerage clients, and the total customer asset size for brokerage services amounted to approximately HK\$1,369 million (31 March 2023: HK\$2,598 million). During the Reporting Period, the transaction amount for the securities trading and brokerage services amounted to approximately HK\$1,606 million (six months ended 30 September 2022: HK\$2,745 million).

The margin financing business includes provision of stock-secured financing for retail, corporate, and high-net-worth clients who need financing to purchase securities. As at 30 September 2023, the loan receivables from margin financing services amounted to approximately HK\$93.9 million (31 March 2023: HK\$102.9 million).

The referral services include (a) advising, sourcing, and referring investment targets and/or investors to institutional funds; (b) connecting projects with clients and buyers with clients; and (c) coordinating, advising on, and executing fundraising projects. During the Reporting Period, the Group mainly provided referral services to financial sector clients.

The investment management services mainly include managing the investment portfolio and asset allocation of offshore funds. The Group had a licensed entity in the Cayman Islands (the “**Cayman Investment Manager**”) and a licensed entity in Singapore (the “**Singapore Investment Manager**”), and commenced the provision of investment management services in Cayman Islands and Singapore. DL Family Office (HK) Limited, a licensed entity to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities by the Securities and Futures Commission, perform its investment management services in Hong Kong. The investment advisory services include providing securities advisory services to clients. As at 30 September 2023, the assets under investment management and assets subject to investment advisory services of the Group amounted to approximately HK\$9,176 million (31 March 2023: HK\$7,290 million).

During the Reporting Period, the service fees charged by the Group for managing the assets under investment management in Cayman Islands and Singapore amounted to approximately HK\$13.5 million (six months ended 30 September 2022: HK\$10.2 million).

The insurance brokerage service includes sourcing insurance policies for clients and advocating on clients’ behalf to liaise with insurance companies. During the Reporting Period, the services fee charged by the Group for provision of insurance brokerage services amounted to approximately HK\$6.5 million (six months ended 30 September 2022: nil).

During the Reporting Period, the segment revenue for provision of financial services of licensed business was approximately HK\$78.4 million (six months ended 30 September 2022: HK\$88.7 million), and the segment profit for the Reporting Period was approximately HK\$1.5 million (six months ended 30 September 2022: HK\$22.1 million). The decrease in segment revenue and profit was mainly attributable to the decrease in revenue from financial advisory services in relation to placing of securities corporate finance advisory services.

Provision of money lending services

The Group's money lending business mainly targets customers who wish to obtain trade financing. During the Reporting Period, the segment revenue for provision of money lending services was approximately HK\$8.3 million (six months ended 30 September 2022: HK\$8.3 million), and segment profit for the Reporting Period was approximately HK\$2.6 million (six months ended 30 September 2022: HK\$5.7 million). The segment revenue remained relatively stable as compared to the corresponding period for the six months ended 30 September 2022. The decrease in the segment profit by approximately 53.4% was attributable to the expected credit loss of receivables recorded during the Reporting Period.

Sales of apparel products with the provision of supply chain management total solutions to customers

The sale of apparel products business includes selling apparels and sourcing suppliers and third-party manufacturers to produce apparels that meet the requirements of the customers of the Group (the “**Sale of Apparel Products Business**”) and the supply chain management total solutions business (together with the Sale of Apparel Products Business, the “**Apparel Business**”) include market trend analysis, design and product development, sourcing, production management, quality control and logistics services.

During the Reporting Period, the Group continued to explore business opportunities with e-commerce customers and Direct to Consumer (D to C) model brands by selling apparels products to them and arranging the delivery of goods from factory to customer distribution centers of clients or from factory directly to final customers of clients.

During the Reporting Period, the segment revenue for the Apparel Business amounted to approximately HK\$2.6 million (six months ended 30 September 2022: HK\$16.2 million), and the segment loss for the Reporting Period was approximately HK\$3.3 million (six months ended 30 September 2022: HK\$5.2 million). The Apparel Business continued to suffer from challenges in the global business environment and fierce competition and international trade conflicts, and the business environments remain very challenging.

Provision of enterprise solutions services

The Group's enterprise solutions services business includes provision of global identity planning and wealth inheritance consultancy services, and other business consultancy services to high net-worth clients. During the Reporting Period, our enterprise solutions services business contributed segment revenue of approximately HK\$12.0 million (six months ended 30 September 2022: HK\$12.0 million) and recorded a segment profit of approximately HK\$6.3 million (six months ended 30 September 2022: HK\$0.6 million).

The segment revenue remained relatively stable as compared to the corresponding period for the six months ended 30 September 2022. The increase in segment profit was attributable to the increase in gross profit from projects.

FINANCIAL REVIEW

REVENUE

During the Reporting Period, the Group reported revenue of approximately HK\$101.3 million, representing a decrease of approximately 19.1% from approximately HK\$125.2 million for the six months ended 30 September 2022. The decrease was mainly attributable to the decrease in revenue by the sales of apparel products and the provision of financial services of licensed business.

During the Reporting Period, the segment revenue of the provision of financial services of licensed business decreased by approximately 11.6% to approximately HK\$78.4 million (six months ended 30 September 2022: HK\$88.7 million). The decrease was mainly attributable to the decrease in revenue from financial advisory services in relation to placing of securities and corporate finance advisory services.

During the Reporting Period, the segment revenue of the money lending services amounted to approximately HK\$8.3 million (six months ended 30 September 2022: HK\$8.3 million).

During the Reporting Period, the segment revenue for the Apparel Business decreased to approximately HK\$2.6 million (six months ended 30 September 2022: HK\$16.2 million). The Apparel Business continued to suffer from challenges in the global business environment and fierce competition and international trade conflicts, and the business environments remain very challenging.

During the Reporting Period, the segment revenue of enterprise solutions services amounted to approximately HK\$12.0 million (six months ended 30 September 2022: HK\$12.0 million).

Cost of sales/services

The Group's cost of sales/services primarily consists of cost of goods sold from the Apparel Business and cost of services from the Financial Services Businesses.

The cost of goods sold from the Apparel Business mainly consists of (i) fees charged by third-party manufacturers; and (ii) cost of raw materials occasionally purchased by the Group and passed to third-party manufacturers for their production of salesman samples.

The costs of services from the Financial Services Businesses mainly consist of sub-referral fee to business vendors and expenses for placement projects.

During the Reporting Period, the cost of sales/services decreased to approximately HK\$50.4 million (six months ended 30 September 2022: HK\$59.1 million). Such decrease was primarily attributable to the significant decrease in cost of sales for the Apparel Business, which was in line with the drop of revenue in the Apparel Business, and the decrease in cost of services by the provision of financial services of licensed business.

Gross profit and gross profit margins

During the Reporting Period, the gross profit of the Group decreased by approximately 23.0% to approximately HK\$50.9 million (six months ended 30 September 2022: HK\$66.1 million), which was mainly attributable to the decrease of gross profit from the Financial Services Businesses and Apparel Business. During the Reporting Period, the gross profit margin of the Group remained relatively stable at approximately 50.2%, as compared to approximately 52.8% for the six months ended 30 September 2022.

Other gains/(losses), net

During the Reporting Period, the Group recorded other gains, net of approximately HK\$7.5 million (six months ended 30 September 2022: other losses, net of HK\$41.9 million). The turnaround was mainly attributable to the fair value losses on financial assets at fair value through profit or loss (“FVTPL”) of approximately HK\$40.6 million recorded during the six months ended 30 September 2022, which was one-off and non-recurring in nature.

Selling expenses

Selling expenses mainly consist of sales commission paid to external sales representatives and staff costs of in-house staff whose roles are mainly focusing on sourcing new customers in the Apparel Business. During the Reporting Period, selling expenses decreased by approximately 68.5% to approximately HK\$0.5 million (six months ended 30 September 2022: HK\$1.5 million). The decrease was mainly attributable to the decrease in sales commission incurred.

General and administrative expenses

General and administrative expenses primarily consist of employee benefit expenses, entertainment and travelling expenses, depreciation of property, plant and equipment, legal and professional fees, and other miscellaneous general and administrative expenses. During the Reporting Period, general and administrative expenses increased by approximately 22.1% to approximately HK\$49.1 million (six months ended 30 September 2022: HK\$40.2 million). The increase was mainly attributed to the increase in employee benefit expenses and consultancy fees during the Reporting Period.

Finance costs

During the Reporting Period, finance costs increased by approximately 18.8% to approximately HK\$6.1 million (six months ended 30 September 2022: HK\$5.1 million). The increase was mainly attributed to the increase in the interest expenses on bank borrowing, bonds payable and promissory notes during the Reporting Period.

Profit/(loss) for the period

Profit for the period amounted to approximately HK\$7.0 million (six months ended 30 September 2022: loss for the period of HK\$30.2 million). The change from loss for the period to profit for the period was mainly attributable to (i) the fair value losses on financial assets at FVTPL of approximately HK\$40.6 million recorded during the six months ended 30 September 2022, which was one-off and non-recurring in nature; and (ii) the recognition of share of profit from associate of approximately HK\$6.1 million, which was partially offset by the decrease in gross profit of approximately HK\$15.2 million.

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group mainly financed its operations with its own working capital, proceeds from bank borrowing, corporate bonds, and promissory notes. As at 30 September 2023, the Group had net current assets of approximately HK\$262.1 million (31 March 2023: HK\$240.4 million), including cash and cash equivalents of approximately HK\$57.6 million (31 March 2023: HK\$83.5 million). As at 30 September 2023, the Group's current ratio was 2.42 (31 March 2023: 1.58).

As at 30 September 2023, the Group had bank borrowing of approximately HK\$51.0 million (31 March 2023: HK\$50.0 million) at a floating interest rate of 2% to 2.3% per annum over the Hong Kong interbank offered rate. The bank borrowing is denominated in Hong Kong Dollars and is repayable within one year and secured by the corporate guarantee given by the Company.

As at 30 September 2023, the aggregate principal amounts of promissory notes issued by the Group amounted to approximately HK\$19.2 million (31 March 2023: HK\$14.9 million), with interest rates of 3% per annum, which are denominated in Hong Kong Dollars and shall be repayable within one year.

As at 30 September 2023, the Group had unlisted coupon bonds in issue to independent third party subscribers with an aggregate principal amount of HK\$79.0 million (31 March 2023: HK\$105.0 million). The unlisted bonds are denominated in Hong Kong Dollars and unsecured and not guaranteed.

The coupon rate and maturity date of the unlisted coupon bonds issued by the Group as at 30 September 2023 are set out as follows:

| Principal amount of the unlisted bonds | Maturity date | Coupon rate |
|---|---|--------------------|
| (1) HK\$11 million | Within 84 months from the date of issue | 5% |
| (2) HK\$30 million | Within 60 months from the date of issue | 8% |
| (3) HK\$18 million | Within 24 months from the date of issue | 10% |
| (4) HK\$20 million | Within 12 months from the date of issue | 10% |

As at 30 September 2023, the cash and cash equivalents of the Group were mainly held in Hong Kong Dollars, Renminbi, United States Dollars and Singapore Dollars.

Details of the Company's share capital are set out in note 21 of this announcement.

Gearing ratio is calculated by dividing total debts (including bonds payable, promissory note, bank borrowing, and lease liabilities) by total equity as at the end of the Reporting Period. The Group's gearing ratio decreased from approximately 40.0% as at 31 March 2023 to approximately 35.4% as at 30 September 2023 which was mainly attributable to net repayment of the Group's interest-bearing debts.

TREASURY POLICIES

The Group adopts prudent treasury policies. The Group's management performs ongoing credit evaluation of the financial conditions of the customers in order to reduce the Group's exposure of credit risk. Besides, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

COMMITMENTS

The Group's contractual commitments primarily related to the leases of its office premises, capital injection to a limited partnership fund and acquisitions of companies. As at 30 September 2023, the Group had no lease commitments for short-term lease (31 March 2023: approximately HK\$16,000) and the capital commitments of the Group amounted to approximately HK\$229.3 million (31 March 2023: approximately HK\$3.3 million).

CAPITAL STRUCTURE

As at 30 September 2023, the capital structure of the Group consisted of (i) net cash and cash equivalents; (ii) equity attributable to owners of the Group, comprising issued capital and other reserves; and (iii) other borrowings comprising corporate bonds, bank borrowing and promissory notes.

SIGNIFICANT INVESTMENTS

On 21 August 2020, DL Investment Holdings US, LLC, a wholly-owned subsidiary of the Company (the “**Subscriber**”), and Carmel Reserve LLC (the “**Target Company**”) entered into a subscription agreement (the “**Subscription Agreement**”). The Target Company is an associate of Ms. Jiang Xinrong (“**Ms. Jiang**”), the honorary chairman of the Board (the “**Chairman**”) and executive Director and Mr. Chen Ningdi, the chairman, the executive Director and chief executive officer of the Company (the “**Chief Executive Officer**”). As such, the Target Company is a connected person of the Company. Pursuant to the Subscription Agreement, the Target Company has conditionally agreed to issue and allot to the Subscriber, and the Subscriber has conditionally agreed to subscribe for, 27.06% of the interest in the Target Company as a class B member as enlarged by the subscription in two tranches at the consideration of US\$5,000,000 (equivalent to approximately HK\$39,000,000) which represents a post-money enterprise value of the Target Company of approximately US\$35,000,000 (equivalent to approximately HK\$273,000,000) (the “**Subscription**”). The Subscription has completed on 30 December 2020 and the consideration was satisfied by a combination of cash and the issuance of promissory note by the Company.

The Target company is principally engaged in the investment, construction and development of an ultra-luxury real estate project. The construction of the real estate project has been kicked off in the early 2023. Offsite cut and fill grading and road widening is under process. A sales centre was established and launched in May 2023. The investment of the Group in the Target Company is stated at fair value and is recorded as financial assets at FVTPL. As at 30 September 2023, the fair value of the investment in the Target Company amounted to approximately HK\$110.8 million (31 March 2023: HK\$107.1 million), which represents approximately 16.5% of the total assets of the Group as at 30 September 2023. No dividend was received from this investment by the Group during the Reporting Period. During the Reporting Period, there is a fair value gain of approximately HK\$3.7 million (six months ended 30 September 2022: fair value loss of approximately HK\$3.8 million) arising from this investment.

The Subscription represents the first real estate investment of the Group. Notwithstanding the fact that the Subscription interest bears no management rights or control on the Target Company, having considered that the Group has been expanding its investment portfolio, the Board is of the view that being a passive financial investor in the Target Company, the Group will be able to enjoy the future potential profit through distribution to be made by the Target Company.

Save as disclosed above, as at 30 September 2023, the Group had no significant investment accounting for more than 5% of the Group’s total assets.

The Group adopts prudent and pragmatic investment strategies over its significant investments to generate investment return with a view to better utilise the capital and funds of the Group. Factors including but not limited to the investee’s financial performance, prospect, dividend policy and associated risk of the investment were considered for investment decisions.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 14 September 2023 (after trading hours of the Stock Exchange), DL Asset Management Limited (the “**Purchaser**”) (a direct wholly-owned subsidiary of the Company) and DL Global Holdings Limited (the “**Vendor**”) entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, which represent approximately 55.00% of the entire equity interest of the DL Family Office (HK) Limited (the “**DL Family Office HK**”) at the consideration of HK\$220 million, which will be satisfied by cash and the issue of the promissory note in the principal amount of HK\$150 million to be issued by the Company to the Vendor on the completion date. Prior to completion, the Purchaser legally and beneficially owns 8,195,441 shares of the Target Company, representing approximately 45.00% of the entire issued share capital of DL Family Office HK, and the Vendor legally and beneficially owns the sale shares (i.e. 10,016,651 shares of DL Family Office HK), representing approximately 55.00% of the entire issued share capital of DL Family Office HK. The transaction was completed on 28 November 2023. Upon the completion, the Target Company has become an indirect wholly-owned subsidiary of the Company and DL Family Office HK’s financial results will be consolidated into the financial statements of the Company.

DL Family Office HK is principally engaged in provision of financial services of licensed businesses including securities advisory services and asset management services. DL Family Office HK is a licensed corporation under the Securities and Futures Ordinance and is permitted to carry on Type 4 regulated activity (advising on securities) and Type 9 regulated activity (asset management).

For further details, please refer to the announcements of the Company dated 14 September 2023 and 28 November 2023.

Save as the disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures for the Reporting Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, there was no further specific plan for material investments or capital assets as at 30 September 2023. In the event that the Group is engaged in any plan for material investments or capital assets, the Company will make announcement(s) and comply with relevant rules under the Listing Rules as and when appropriate.

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 30 September 2023 (31 March 2023: nil).

FOREIGN EXCHANGE EXPOSURE

The Group's exposure to currency risk is primarily related to Renminbi, United States dollars, Singapore dollars and Canadian dollars. As at 30 September 2023, foreign exchange risk on financial assets and liabilities denominated in the above-mentioned foreign currencies was insignificant to the Group. The Group currently does not undertake any foreign currency hedging and does not use any financial instrument for hedging purposes.

CHARGES ON GROUP ASSETS

As at 30 September 2023, the Group did not pledge any of its assets (31 March 2023: nil) as securities for any facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2023, the Group employed a total of 73 (31 March 2023: 66) full-time employees. The Group's employee benefit expenses mainly included salaries, wages, other staff benefits and contributions to retirement schemes. For the Reporting Period, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK\$22.3 million (six months ended 30 September 2022: HK\$20.7 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to basic salary, year-end bonuses, share options and/or share awards would be discretionarily offered to employees in accordance with their performance. The Group also provides on-the-job training to employees.

FUTURE PROSPECTS

In respect of the Financial Services Businesses, it remained to be a major contributing factor to the for the Reporting Period recorded by the Group. As part of the forward-looking strategy, the Group aims to be a prominent asset management and financial services platform, with a core focus on family office in the Asia-Pacific region. The Group's developing strategy is as below:

1. Based on the financial advisory services provided through DL Family Office HK and DL Emerald Wealth Management Limited, the Group provides personalised wealth management and succession services throughout the entire life cycle for ultra-high net worth families. Its goal is to expand the current asset under management (“AUM”)/asset under advisory (“AUA”) under the family office division from approximately USD2.3 billion to approximately USD4.0 billion by the end of March 2024.
2. DL Securities (“DLS”) will continue to serve the Group's increasing key corporate clients and expand its investor base for capital market activities. DLS currently manages over 25 limited partnership funds and other funds with total AUM/AUA of over USD935 million, which the Group aims to further increase such amount by the end of March 2024.
3. DL Asset Management (“DLAM”) and DLS have developed a standardised investment scheme (“**Flagship Strategy**”) for all investors under DL Securities trading platform, where the Group is able to offer standard global asset allocation and management services to high-net-worth families, professional investors (“PI”), financial institutions, private enterprises, and external wealth management platforms. With such effort, the investment and services under the family office division will not be limited to ultra-high net worth families but can be extended to other range of investors under a more standardised and scalable DL Flagship program. The Group's target is to achieve at least 1000 PI client accounts by the end of March 2024. DLAM will also develop other asset management products and offer them to the Group's increasing investor pool.
4. DL New Economy Research Institute (the “**Institute**”) is established to promote the institutionalisation, programming, systematisation and professionalism of internal research, providing recommendations and valuable reference for the overall investment direction of the Group. Internally, the Institute will provide reports, consultation and services based on the needs of research from different departments. Externally, the Institute will launch extensive inter-industry cooperation to expand the influence of the think-tank and provide services such as macroeconomic trends and specialised industry analysis for the family office customers of the Group. The Group will provide research results of the wealth management industry both internally and externally in the form of a think-tank to provide advice and suggestions for the government and the development of the industry. The Institute will fully leverage on the market and information advantages of Hong Kong as an international financial center as well as the business platform of the Group, actively put into practice the Group's philosophy of “Delivering Legacy”, employ competent think-tanks and talent teams, and strengthen the application and promotion of the brand name of “DL Research”, to solidly promote and enhance the Group's research capability and customer service level.

5. DLAM will be transformed from the form of traditional asset management into a digital family office, DL Digital Family Office (“**DL Digital FO**”). DL Digital FO will be complementary to the existing multifamily office business, with a coverage of professional investors above the entry level (US\$1 million), providing them with basic family office diversified investment services and targeting potential clients in advance, to increase the number of clients and the total amount of assets under management. By combining big data, cloud computing and blockchain technologies, DL Digital FO will gradually help the professional investment grade clients in the asset management category enjoy the family office level investment services and favourable returns through the artificial intelligence investment advisory system. DL Digital FO will be defined as: a digital wealth manager for professional investors, together with the Group’s multifamily office, securities investment, global real estates and the newly established institute for new economic research, accelerates on the path of wealth management of rapid informatization development. The establishment of DL Digital FO will become the first new family office service platform to provide true “three-in-one”, namely digital, intelligent and humanized, services in the Guangdong-Hong Kong-Macao Greater Bay Area. DL Digital FO will fully connect the well-established investment strategies and past performance of DLAM with artificial intelligence and big data, lowering the investment threshold while providing effective risk control, maintaining transparency and agility, and escorting the preservation and enhancement of asset value of the clients.
6. DL Global Real Estate has been established based on its initial investment in Carmel project. The Group expects to complete phase one construction by the end of March 2024. The Group will also start exploring real estate investment opportunities in Hong Kong, Singapore, Japan and the United States in both equity and credit nature. The Group aims to increase its investments and real estate related AUM by the end of March 2024.

LAUNCH OF AI FAMILY OFFICE

On 15 November 2023, the Company officially launched the global artificial intelligence (AI) family office, which would accelerate the global strategic planning of AI wealth management on top of the foundation of the existing digital family office.

With the rapid development and global industrial application of AI technology in recent years, the wealth management and asset management industries are also facing great opportunities and challenges. Traditional wealth management methods, asset allocation methods, valuation structure logic, and most importantly, customer needs are all constantly changing and developing in a non-linear manner.

In order to adapt to and lead the future development trend of family office wealth management, the Group is building a decentralized AI platform based on large models and big data, which will become the underlying logic and new architecture for the future development of family office and the wealth management industry.

Reference is made to the announcements of the Company dated 8 September 2023 and 10 October 2023 in relation to the establishment of the New Economy Research Institute and digital family office by the Group within the year, transforming the asset management business into a smart asset management and wealth inheritance platform supported by digital technology. On this basis, the Group has established the global AI business department, and has established an AI technology company in Silicone Valley, US, with the goal being to forge a new ecosystem of AI wealth management, utilizing AI technology and blockchain technology to empower the continued philosophy of “Delivering Legacy” of the Group, giving everyone access to an AI steward that can learn and evolve independently, to truly possess their own family office, and command over their wealth and life.

The AI family office system (DL-GPT) and application programming interface of the Group are currently in the research and development stage and is nearing launch, and they are expected to become available in January 2024.

With the diversified revenue source and capability of the Group, the Group strives to proactively adapt to the changing environment with an ultimate aim of bringing better investment return to the shareholders of the Company. Looking forward, the Group will proactively review its performance and prospects in different business segments from time to time in light of the changing business environment, with an aim of optimizing the use of the Group’s resources in the interests of the Company thereby bringing maximum return to the shareholders of the Company.

On the other hand, the global economy uncertainty and international conflict had been imposing pressure on the general prospects of apparel industry and overall trading environment. In face of such pressure, the Group adopted a conservative strategy in the Apparel Business with the view to lowering the risk exposure of the Group amid such turbulent market situation. Nonetheless, the adverse impact on the business environment persisted throughout the Reporting Period and despite the cost control measures taken by the Group, the Group continued to record gross loss position for the Apparel Business segment. Whilst the Group continues to assess its sales strategy for the Apparel Business having taking into account the demand for apparel products globally and the profit margin of the business segment following cost-benefit analysis of the Group, the Group will from time to time reassess the Group’s strategy in allocating of its resources between the business units so as to ensure the interests of the Company and its shareholders are preserved.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code"). The Board and the management of the Company are committed to maintaining and achieving a high standard of corporate governance practices with an emphasis on a quality Board, an effective accountability system and a healthy corporate culture in order to safeguard the interests of the Shareholders and enhance the business growth of the Group.

Provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Reporting Period, Mr. Chen Ningdi performed his duties as both the Chairman and Chief Executive Officer. However, the Board is of the view that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions efficiently, and thus is in the best interest of the Group. The Board has full confidence in Mr. Chen Ningdi and believes that his appointment to the posts of Chairman and Chief Executive Officer is beneficial to the business prospects of the Group.

Save as disclosed above, the Company was in compliance with all code provisions set out in the CG Code during the Reporting Period.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors by the Company, all Directors confirmed that they have complied with the required standard of dealings and the Company's code of conduct concerning securities transactions by the Directors for the Reporting Period.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2023 (six months ended 30 September 2022: nil).

SHARE OPTION SCHEME

A share option scheme was adopted and approved by the then Shareholders on 22 September 2015 (the “**Share Option Scheme**”). The purpose of the Share Option Scheme is to enable the Company to grant options to eligible participants as incentive or reward for their contribution to the Group to subscribe for the Shares thereby linking their interest with that of the Group. The eligible participants of the Share Option Scheme include the employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of the Board, has contributed or may contribute to the Group.

During the Reporting Period, the Company did not grant any share options under the Share Option Scheme. As at 30 September 2023, the Company had 50,100,000 share options (31 March 2023: 56,100,000 share options) outstanding under the Share Option Scheme.

Details of movements in the share options under the Share Option Scheme during the Reporting Period are as follows:

| Category and name of grantee | Date of grant | Outstanding as at 1 April 2023 | Granted during the period | Exercised during the period | Cancelled during the period | Lapsed during the period | Outstanding as at 30 September 2023 | Exercise price per Share | Closing price per Share prior to the grant of share options | Weighted average closing price of Share before date of exercise of options | Exercise period |
|--------------------------------------|------------------|--------------------------------|---------------------------|-----------------------------|-----------------------------|--------------------------|-------------------------------------|--------------------------|---|--|--------------------------------------|
| Directors | | | | | | | | | | | |
| Mr. Lang Joseph Shie Jay (Note 1) | 24 March 2023 | 4,500,000 | - | - | - | - | 4,500,000 | HK\$2.70 | HK\$2.69 | N/A | 24 March 2024 to 23 March 2026 |
| Mr. Liu Chun (Note 2) | 17 August 2020 | 3,000,000 | - | - | - | (3,000,000) | - | HK\$1.00 | HK\$0.88 | N/A | 17 August 2020 to 16 August 2023 |
| Employee(s) of the Group | | | | | | | | | | | |
| | 17 August 2020 | 1,500,000 | - | - | - | (1,500,000) | - | HK\$1.00 | HK\$0.88 | N/A | 17 August 2020 to 16 August 2023 |
| | 19 November 2020 | 23,500,000 | - | - | - | - | 23,500,000 | HK\$2.50 | HK\$2.30 | N/A | 19 November 2020 to 18 November 2023 |
| | 24 March 2023 | 22,100,000 | - | - | - | - | 22,100,000 | HK\$2.70 | HK\$2.69 | N/A | 24 March 2024 to 23 March 2026 |
| Other participant(s) | | | | | | | | | | | |
| | 17 August 2020 | 1,500,000 | - | - | - | (1,500,000) | - | HK\$1.00 | HK\$0.88 | N/A | 17 August 2020 to 16 August 2023 |
| Total | | <u>56,100,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(6,000,000)</u> | <u>50,100,000</u> | | | | |

Notes:

1. Mr. Lang is an executive Director.
2. Mr. Liu Chun is an independent non-executive Director.

Save as disclosed above, no share options were granted or exercised or cancelled or lapsed during the Reporting Period.

SHARE AWARD SCHEME

A share award scheme was adopted by the Company on 8 September 2020 (the “**Share Award Scheme**”). The Share Award Scheme is (i) to recognise the contributions by the participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. The Share Award Scheme shall be subject to administration of the Board and DL Securities (HK) Limited, the trustee in accordance with the rules of the Share Award Scheme and the trust deed in relation thereto.

The eligible participants of the Share Award Scheme include any employee (including without limitation any executive director) of any member of the Group, any non-executive director or proposed non-executive director (including independent non-executive director) of any member of the Group or any entity in which any member of the Group holds any equity interest (the “**Invested Entity**”), any supplier of goods or services to any member of the Group or any Invested Entity, any customer of the Group or any Invested Entity, any person or entity that provides or will provide research, development, consultancy, advisory services or other technological support to the Group or any Invested Entity, any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity, any other group or class of participants from time to time determined by the Directors as having contributed or may contribute by way of joint venture, business alliances, consultancy, advisory services or other business arrangements to the development and growth of the Group and any person or entity, who, at the sole determination of the Directors, has contributed to the Group.

During the Reporting Period, the Company granted 354,484 shares to an employee of an associated company of the Company, under the Share Award Scheme. As at 30 September 2023, the Company had 64,799,916 shares held under the Share Award Scheme (31 March 2023: 65,154,400).

SUBSEQUENT EVENTS

With effect from 21 November 2023, Mr. Wang Yiding is appointed as a non-executive Director and Mr. Li Xiaoxiao is appointed as an independent non-executive Director, a member of nomination committee of the Company and a member of remuneration committee of the Company. For further details, please refer to the Company’s announcement dated 21 November 2023.

The acquisition of the remaining 55% interest in DL Family Office HK was completed in accordance with the terms and conditions of the sale and purchase agreement on 28 November 2023. Upon completion, DL Family Office HK has become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group’s consolidated financial statements. For further details, please refer to the Company’s announcement dated 28 November 2023.

Since 30 September 2023 and up to the date of this announcement, save as disclosed above, there is no significant event affecting the Group that have occurred.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Reporting Period, the Company and its subsidiaries did not purchase, sell or redeem any of its Shares listed on the Stock Exchange.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established on 22 September 2015. The terms of reference of the Audit Committee are available at the websites of the Stock Exchange and the Company.

The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditor, review the financial statements and significant financial reporting judgement, and oversee financial reporting system, risk management and internal control systems of the Group.

For the Reporting Period, the Audit Committee consisted of three members, namely Mr. Chang Eric Jackson (chairman of the Audit Committee), Mr. Chen Cheng-Lien (also known as Chen Cheng-Lang and Chen Stanley) and Mr. Liu Chun, all being independent non- executive Directors. No member of the Audit Committee is a member of the former or existing independent auditor of the Company. The unaudited condensed consolidated financial statements of the Company for the Reporting Period have been reviewed by the Audit Committee. Grant Thornton Hong Kong Limited, the Group’s auditor, has carried out a review of the Group’s unaudited condensed consolidated financial statements for the Reporting Period, which is prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

By order of the Board
DL Holdings Group Limited
Chen Ningdi

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 29 November 2023

As at the date of this announcement, the executive Directors are Mr. Chen Ningdi, Mr. Lang Joseph Shie Jay, Mr. Ai Kuiyu and Ms. He Zhiying; the non-executive Directors are Mr. Chan Kwan, Mr. Chan Kwun Wah Derek and Mr. Wang Yiding; and the independent non-executive Directors are Mr. Chang Eric Jackson, Mr. Chen Cheng-Lien (also known as Chen Cheng-Lang and Chen Stanley), Mr. Liu Chun and Mr. Li Xiaoxiao.