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True Partner
Capital Holding

TRUE PARTNER CAPITAL HOLDING LIMITED

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 8657)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2022

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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

Corporate Overview

- **Established in 2010, by a team of former market makers, True Partner Capital Holding is a specialized hedge fund manager**
- **Focused on volatility trading in liquid markets**, principally in equity index futures, options and ETFs
- Diversified **global investor base** across our products
- **Stable and experienced management**: key personnel have worked together for almost a decade
- Specialized segment of asset management with **a history of growth**
- 3-T Model – Combination of **advanced technology** with **experienced team** covering **specialised trading strategies**
- **Global coverage** to enable **trading around the clock**, with offices in Asia, the US and Europe
- The Company benefits from **proprietary technology** that shapes its trading approach and includes a range of modules and tools
- Potential **growth opportunities** in adjacent market segments leveraging **scalable investment platform**

FIRST QUARTERLY RESULTS 2022

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together as the “**Group**”) for the three months ended 31 March 2022 (the “**Reporting Period**”) together with the unaudited comparative figures of the corresponding period in 2021 as set out below:

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

For the three months ended 31 March 2022

| | Note | Three months ended 31 March | |
|---|------|---------------------------------|---------------------------------|
| | | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Revenue | 4 | 14,046 | 14,795 |
| Other income | 4 | 11 | 1 |
| Direct costs | | (1,372) | (1,659) |
| Fair value loss on financial assets at fair value through profit or loss | | (453) | (1,086) |
| General and administrative expenses | | (18,381) | (15,726) |
| Finance costs | | (23) | (22) |
| Gain on deemed disposal of an associate | | – | 90 |
| Share of results of associates | | (206) | (76) |
| Loss before income tax | 5 | (6,378) | (3,683) |
| Income tax expense | 6 | (114) | (692) |
| Loss for the period | | (6,492) | (4,375) |
| Other comprehensive income/(loss) | | | |
| Item that will be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | | (109) | (122) |
| Item that will not be reclassified to profit or loss: | | | |
| Fair value gain on financial assets designated at fair value through other comprehensive income | | 2,909 | – |
| Other comprehensive income/(loss) | | 2,800 | (122) |
| Total comprehensive loss for the period | | (3,692) | (4,497) |

| | | Three months ended 31 March | |
|---|------------------------|--|--|
| <i>Note</i> | 2022 | 2021 | |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | |
| | (Unaudited) | (Unaudited) | |
| Loss for the period attributable to: | | | |
| Owners of the Company | (6,620) | (4,464) | |
| Non-controlling interest | <u>128</u> | <u>89</u> | |
| | <u>(6,492)</u> | <u>(4,375)</u> | |
| Total comprehensive loss for the period attributable to: | | | |
| Owners of the Company | (3,820) | (4,586) | |
| Non-controlling interest | <u>128</u> | <u>89</u> | |
| | <u>(3,692)</u> | <u>(4,497)</u> | |
| Loss per share (<i>HK cents</i>) | | | |
| Basic and diluted | 8 <u>(1.66)</u> | <u>(1.12)</u> | |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2022

| | Reserves | | | | | | | | | | |
|---|---------------|----------------|------------------------------|------------------|-----------------------------------|---------------------------------|----------------------|------------------|----------------|---------------------------|----------------|
| | Share capital | Share premium | Group reorganisation reserve | Exchange reserve | Fair value reserve (Notes (i)) | Capital reserve (Notes (ii)) | Share option reserve | Retained profits | Total | Non-controlling interests | Total equity |
| | | | | | | | | | | | |
| At 1.1.2021(audited) | 4,000 | 153,074 | 1,145 | 11 | (3,173) | 7,234 | 486 | 68,661 | 231,438 | 5,265 | 236,703 |
| Loss for the period | - | - | - | - | - | - | - | (4,464) | (4,464) | 89 | (4,375) |
| Other comprehensive loss | - | - | - | (122) | - | - | - | - | (122) | - | (122) |
| Total comprehensive loss for the period | - | - | - | (122) | - | - | - | (4,464) | (4,586) | 89 | (4,497) |
| Recognition of equity-settled share-based expense | - | - | - | - | - | - | 581 | - | 581 | - | 581 |
| At 31.3.2021(unaudited) | <u>4,000</u> | <u>153,074</u> | <u>1,145</u> | <u>(111)</u> | <u>(3,173)</u> | <u>7,234</u> | <u>1,067</u> | <u>64,197</u> | <u>227,433</u> | <u>5,354</u> | <u>232,787</u> |
| At 1.1.2022(audited) | 4,000 | 153,074 | 1,145 | (662) | (2,293) | 7,234 | 2,479 | 34,641 | 199,618 | 5,798 | 205,416 |
| Loss for the period | - | - | - | - | - | - | - | (6,620) | (6,620) | 128 | (6,492) |
| Other comprehensive income | - | - | - | (109) | 2,909 | - | - | - | 2,800 | - | 2,800 |
| Total comprehensive loss for the period | - | - | - | (109) | 2,909 | - | - | (6,620) | (3,820) | 128 | (3,692) |
| Acquisition of additional interest in a subsidiary | - | - | - | - | - | (8,327) | - | - | (8,327) | (5,926) | (14,253) |
| Transfer of gain on disposal of financial assets at fair value through other comprehensive income | - | - | - | - | (616) | - | - | 616 | - | - | - |
| Recognition of equity-settled share-based expense | - | - | - | - | - | - | 513 | - | 513 | - | 513 |
| At 31.3.2022(unaudited) | <u>4,000</u> | <u>153,074</u> | <u>1,145</u> | <u>(771)</u> | <u>-</u> | <u>(1,093)</u> | <u>2,992</u> | <u>28,637</u> | <u>187,984</u> | <u>-</u> | <u>187,984</u> |

Notes:

- (i) Fair value reserve represents the cumulative net change in the fair value of financial assets at fair value through other comprehensive income.
- (ii) Capital reserve represents equity transaction between the Group and the non-controlling interests in prior years and current period.

NOTES TO THE FIRST QUARTERLY FINANCIAL INFORMATION

1. Corporate information

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

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

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

2. Basis of preparation

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

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

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

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

3. Segment information

(a) Geographical information

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

Geographical information of revenue for the three months ended 31 March 2022 and 2021, is as follows:

| | Three months ended 31 March | |
|-----------|--|--|
| | 2022 <i>HK\$'000</i> (Unaudited) | 2021 <i>HK\$'000</i> (Unaudited) |
| Hong Kong | 11,514 | 10,043 |
| Chicago | 2,532 | 4,752 |
| | 14,046 | 14,795 |

(b) Information about major customers

For the three months ended 31 March 2022 and 2021, revenue from major customers who contributed over 10% of the total revenue of the Group are as follows:

| | Three months ended 31 March | |
|------------|--|--|
| | 2022 <i>HK\$'000</i> (Unaudited) | 2021 <i>HK\$'000</i> (Unaudited) |
| Customer A | 5,450 | 6,893 |
| Customer B | 3,796 | N/A ⁽¹⁾ |
| Customer C | 2,532 | 4,752 |
| Customer D | 1,634 | 2,056 |

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

4. Revenue and other income

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

Revenue

| | Three months ended 31 March | |
|--|--|--------------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Revenue from funds and managed accounts | | |
| Management fee income | 14,046 | 14,795 |
| | 14,046 | 14,795 |

Timing of revenue recognition:

| | Three months ended 31 March | |
|-----------|--|--------------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Over time | 14,046 | 14,795 |

Other income

| | Three months ended 31 March | |
|-----------------|--|--------------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Interest income | 1 | 1 |
| Dividend income | 1 | – |
| Sundry income | 9 | – |
| | 11 | 1 |

5. Loss before income tax

| | Three months ended | |
|---|---------------------------|-----------------|
| | 31 March | |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Loss before income tax is arrived at after charging: | | |
| Amortisation of intangible assets | 80 | 7 |
| Auditor's remuneration | 387 | 307 |
| Depreciation of plant and equipment | 499 | 271 |
| Depreciation of right-of-use assets | 482 | 422 |
| Employee benefits (including directors' remuneration) | | |
| – Salaries and other benefits | 9,702 | 8,747 |
| – Equity-settled share-based payment expense | 513 | 581 |
| – Pension scheme contributions | 441 | 465 |
| | 10,656 | 9,793 |
| Exchange loss | 65 | 105 |
| Interest expense on lease liabilities | 7 | 22 |
| Short-term lease expenses | 158 | 154 |
| | 114 | 692 |

6. Income tax expense

Income tax expense for the period represents:

| | Three months ended | |
|--------------------------|---------------------------|-----------------|
| | 31 March | |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Current tax – Hong Kong | | |
| Provision for the period | 114 | 692 |
| | 114 | 692 |

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

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

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

For the group entities that are domiciled and operate in the Netherlands, they are subject to corporate tax rate of 15% on taxable profits up to EUR245,000. The corporate income tax rate is 25% on taxable profits exceed EUR245,000. No tax provision has been made on these group entities as there is no estimated taxable profits.

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

During the three months ended 31 March 2022, no share of tax attributable to associates (three months ended 31 March 2021: Nil) was included in the share of results of associates.

7. Dividend

The Board does not recommend the payment of any dividend in respect of the three months ended 31 March 2022 (three months ended 31 March 2021: Nil).

8. Loss per share

The calculation of the basic loss per share amount is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 400,000,000 (three months ended 31 March 2021: 400,000,000) shares in issue during the period.

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

| | Three months ended | |
|---|---------------------------|-----------------|
| | 31 March | |
| | 2022 | 2021 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Loss | | |
| Loss for the period attributable to the owners of the Company | (6,620) | (4,464) |

| Number of shares | Three months ended | |
|--|--------------------|--------------------|
| | 31 March | |
| | 2022 | 2021 |
| Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation | 400,000,000 | 400,000,000 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Share options – <i>Note</i> | – | – |
| | 400,000,000 | 400,000,000 |

Note:

Diluted loss per share for the three months ended 31 March 2022 is the same as the basic loss per share as the effect of the conversion of the Company's share options would result in an antidilutive effect on the loss per share (2021: Diluted loss per share for the three months ended 31 March 2021 is the same as the basic loss per share as there were no potential ordinary shares).

9. Approval of the unaudited quarterly financial information

The unaudited quarterly financial information were approved and authorised for issue by the board of directors on 12 May 2022.

Financial Highlights

| | Three months ended 31 March | | |
|---|------------------------------------|---------------------------|----------|
| | 2022 <i>(HK\$'000)</i> | 2021 <i>(HK\$'000)</i> | % Change |
| Total Revenue | 14,046 | 14,795 | (5) |
| Management fee income | 14,046 | 14,795 | (5) |
| Performance fee income | – | – | N/A |
| Gross profit | 12,674 | 13,136 | (4) |
| Operating loss ^{<i>Note 1</i>} | (5,696) | (2,589) | 120 |
| Loss for the period | (6,492) | (4,375) | 48 |
| Loss attributable to owners of the Company | (6,620) | (4,464) | 48 |
| Total comprehensive loss | (3,692) | (4,497) | 33 |
| Loss per share (HK cents) | | | |
| – Basic and diluted ^{<i>Note 2</i>} | (1.66) | (1.12) | 48 |

Notes:

- Operating loss represents loss before income tax adding back fair value loss on financial assets at fair value through profit or loss, finance costs, share of results of associates and gain on dilution of interest in an associate.
- The calculation of the basic loss per share amount is based on the loss for the period attributable to owners of the Company of HK\$6,620,000 (2021: HK\$4,464,000), and the weighted average number of ordinary shares of 400,000,000 shares in issue during the period. Diluted loss per share for the period ended 31 March 2022 and 2021 is the same as the basic loss per share as the effect of the conversion of the Company's share options would result in an antidilutive effect on the loss per share.

Selected Business and Financial Highlights

- After a risk-on environment in the 2021, the first quarter of 2022 saw increasing concerns over inflation and the invasion of Ukraine impact financial markets, particularly in fixed income and commodities. However, the reaction from equity index volatility was somewhat subdued.
- The MSCI World Total Return Hedged to US Dollars (“**MSCI World**”) finished the quarter down -4.5%, giving back part of its +8.2% gain in the prior quarter. The Bloomberg Global Government Bond Index Hedged to US Dollars had a similar loss, down -4.2%. While for equities the drawdown was giving back rather less than one quarter’s prior return, for government bonds the drawdown in Q1 gave back essentially all the returns of the index since mid-2019.
- The last time equities had a negative quarter was Q1 2020, which saw much bigger equity losses (MSCI World down -19.8%) and was a strongly positive environment for our strategies. However, despite the losses in equity markets in the first quarter of 2022, it was quite a different volatility environment to Q1 2020. This made for fewer alpha opportunities for our trading approach. It is notable that the first quarter of 2022 was more generally not necessarily a good quarter for strategies that seek to be long protection on equity indices. To illustrate this one can compare the returns of the CBOE S&P 500 5% Put Protection Index (the “**Put Protection Index**”) with the returns of the S&P 500 Total Return Index (“**S&P 500 TR**”). US equities are by some way the largest component of the MSCI World index. The Put Protection Index is a simulated strategy that holds a long position in the S&P 500 and also systematically buys 5% out of the money put options on the S&P 500 according to a set schedule. The relative returns of the Put Protection Index and the S&P 500 TR thus can serve as an illustration of the relative costs and benefits of holding downside protection on US equities.
- In the first quarter of 2022 the Put Protection Index was down -7.85%, while the S&P 500 TR was down -4.60%, i.e. the Put Protection Index underperformed the S&P 500 TR by -3.25%. The Put Protection Index also underperformed the S&P 500 TR in each individual month of the first quarter. Said another way, despite the fall in the S&P 500 over the first quarter, and despite the falls in the S&P 500 in the individual months of January and February (the S&P 500 was then up in March), having protection would have underperformed having no protection month by month and over the quarter as a whole. That is relatively unusual historically. In fact, our analysis of quarterly returns of the Put Protection Index and the S&P 500 TR from January 1990 to March 2022 observed that in quarters when the S&P 500 TR has been down 4% or more, on average the Put Protection Index has outperformed the S&P 500 TR by 4.17. Furthermore, the Put Protection Index’s underperformance of the S&P 500 TR by -3.25% in the first quarter of 2022 was its worst relative result in such a quarter (i.e. a quarter when the S&P 500 TR was down 4% or more) over the whole period analyzed from 1990 to 2022. Our strategies are absolute return and alpha focused and as such different to the Put Protection Index, but this does illustrate the unusual nature of the environment in the first quarter of 2022.

- Popular measures of at-the-money implied volatility rose modestly over the quarter. The VIX index rose from 17.22 to 20.56. A similar measure for the Euro Stoxx 50 rose from 19.27 to 28.99, while the equivalent measures in the Japanese Nikkei rose from 19.21 to 21.98 and in the Korean Kospi 200 index from 16.50 to 17.14 respectively. These measures provide a snapshot of implied volatility at different points in time but are not directly tradable¹. Of these various indices, the VIX has the most liquid derivatives market, via VIX futures and options. While the VIX index rose over the first quarter, VIX derivatives painted a more mixed picture. Over the first quarter VIX April 2022 expiry futures declined from 24.69 to 23.47. VIX May 2022 expiry futures also declined, from 25.25 to 24.99. On the other hand, the ProShares VIX Short-Term Futures ETF (“**VIX ETF**”), which systematically buys and rolls short-term VIX futures, had a gain for the quarter, rising from 15.17 to 16.57. The VIX ETF runs at a high level of realized volatility (93% annualized over the 100 days to end March 2022) and for context it is important to note that despite its gain in the first quarter, the ETF’s end-March 2022 value of 16.57 was still 20% below its value of 20.70 at the end of November 2021².

- This backdrop made for a more challenging quarter for our index volatility trading than might be supposed from the headline equity index returns and newsflow over the first three months of 2022. The Group’s trading strategies are predominantly relative value in nature, but historically have seen their best performance in periods of falling equity markets and rising volatility. The subdued reaction in equity index volatility during the equity drawdown, which mostly occurred in January and February, resulted in relatively few opportunities. As a result the first quarter of 2022 was overall somewhat challenging for our relative value volatility trading strategy, with small losses in January, small gains in February and losses in March³.

¹ The metrics used are the VIX for the S&P 500, the VSTOXX for the Euro Stoxx 50, the Nikkei Stock Average Volatility Index for the Nikkei and the Kospi 200 Volatility Index for the Kospi 200. Sources: True Partner, Bloomberg.

² Sources: Bloomberg, True Partner. The ticker for the ProShares VIX Short-Term Futures ETF is “VIXY US Equity”.

³ This material is not in any way intended to solicit investment in our fund products or managed accounts. Our fund products and managed accounts are only available to appropriately qualified investors and are not marketed in certain jurisdictions. The performance of certain fund products the Group regards as relevant to shareholders of the Company is disclosed to the Stock Exchange on a voluntary basis monthly. Performance of certain fund products is also reported to Bloomberg and certain databases of hedge fund performance.

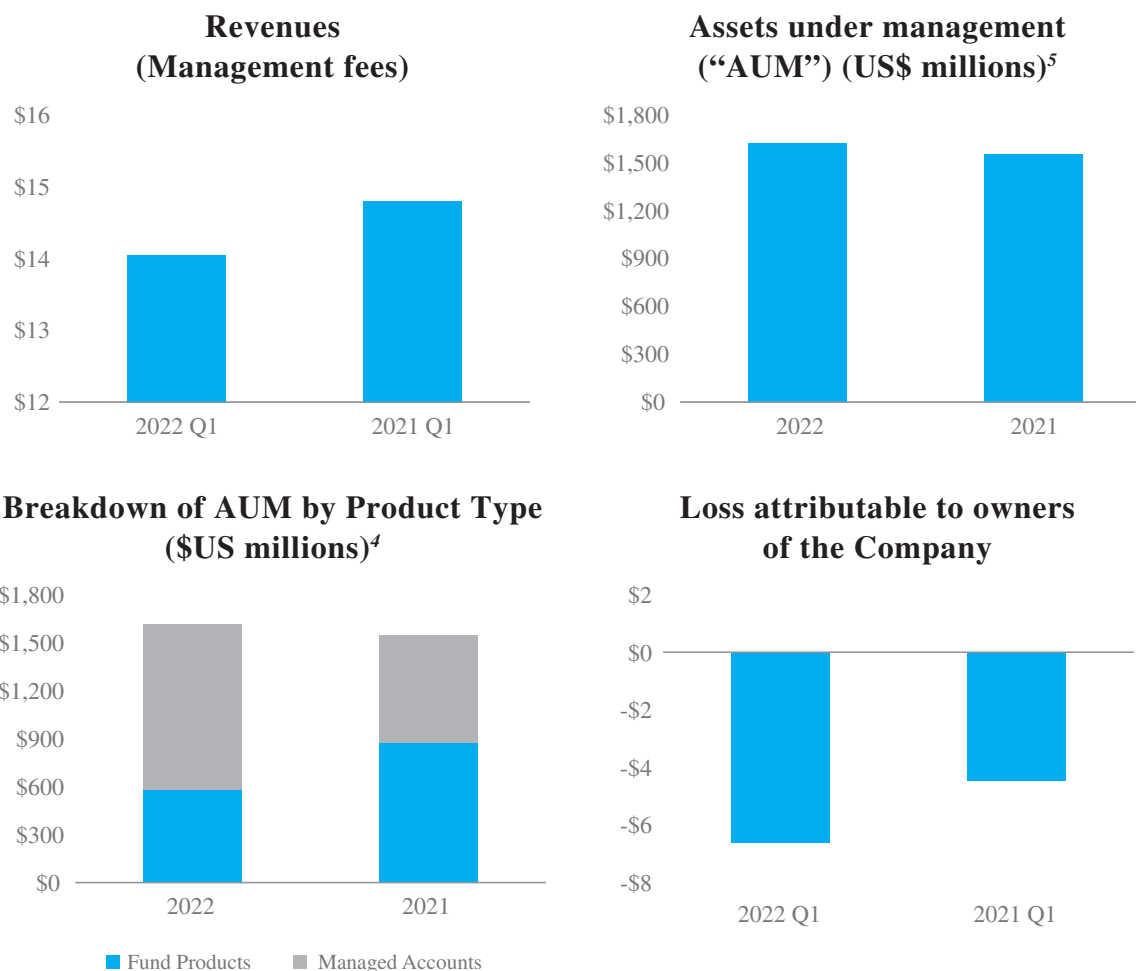
- As we have highlighted in both positive and negative periods of performance, investment performance in any given short time period can fluctuate around the long-term average based on the prevailing market opportunities. Investors in the Group’s products typically focus on long-term investment performance as a key metric as they are generally seeking to invest with a longer-term horizon. When considering the whole period from its inception in July 2011 through 31 March 2022, the True Partner Fund, the Group’s longest running fund product has outperformed each of the CBOE Eurekahedge Relative Value Volatility, Long Volatility and Short Volatility Hedge Fund indices in both absolute terms and in alpha terms⁴. Over the same inception to date period, considering the whole period from July 2011 through 31 March 2022, the True Partner Fund, our longest running fund product, has also outperformed the Eurekahedge Asset Weighted Hedge Fund Index, a broad index of hedge fund performance, in both absolute terms and in alpha terms.
- The Group’s assets under management were relatively stable during the quarter and were higher relative to the comparable period in 2021. Assets under management were US\$1,618 million as of 31 March 2022 as compared to US\$1,550 million as of 31 March 2021 and US\$1,675 million as of 31 December 2021. Changes in assets under management during the first quarter of 2022 were primarily a result of negative investment performance. Growth in assets under management relative to the end of the first quarter of 2021 was driven by positive net inflows, partially offset by negative investment performance.
- Revenues for the three months ended 31 March 2022 were HK\$14 million. This compares to revenues of HK\$14.8 million for the three months ended 31 March 2021. The decrease in revenue was primarily due to shifts in product mix over the period. Revenue per unit of assets under management can vary as a result of a number of factors. Individual fund products and managed accounts can have different fee structures due to differences in the nature and sizes of the mandates and other factors. When comparing the period for the three months ended 31 March 2022 to the three months ended 31 March 2021, the assets under management in managed accounts increased relative to the assets under management in fund products. Net inflows were positive into managed accounts and negative in fund products, resulting in an overall net increase in assets under management. Inflows were also driven by larger clients. Overall the effects of this included that the expected relative contribution of management fees and performance fees to revenues per unit of assets under management became more focused on performance fees and less focused on management fees. The combination of these factors led to a small decrease in the average revenue per unit of assets under management for the three months ended 31 March 2022 as compared to the three months ended 31 March 2021.

⁴ The Group considers these indices to be relevant benchmarks of peer performance as they are comprised of hedge funds trading different types of volatility strategies.

- General and administrative expenses were HK\$18.4 million in the first quarter of 2022, as compared to HK\$15.7 million in the first quarter of 2021. The increase in expenses was primarily due to an increase in staff cost as the overall number of personnel was higher in 2022 as compared to 2021. Other drivers of increased expense included sales and marketing fees, data expenses and administrative expenses as the Group has been working on the expansion of its operations in Europe and Asia in line with the use of proceeds outlined in the prospectus of the Company dated 30 September 2020 (the “**Prospectus**”).
- The Group’s loss before income tax was a loss of HK\$6.4 million in the first quarter of 2022, as compared to a loss of HK\$3.7 million in the comparable period in 2021. Loss attributable to owners of the company was HK\$6.6 million in the first quarter of 2022 (after tax), as compared to a loss of HK\$4.5 million in the comparable period of 2021.
- During the first quarter of 2022, the Group has continued to actively use technology to enhance its marketing efforts. Over this period the team has been actively engaged with investors and prospects through regular webinars, on a one-on-one basis and through engagements via third parties. The Group also arranged for senior personnel of the Group to participate in leading industry conferences that will take place in the second quarter of 2022, which will provide opportunities for in person interaction with investors and prospects. The Group also continued to engage with investors and prospects via newsletters and more in-depth pieces.
- During the first quarter of 2022, the Group has also been working on the expansion of its operations in Europe and Asia in line with the use of proceeds outlined in the Prospectus. This has included working through the process of obtaining an investment firm license from the Authority Financial Market (“**AFM**”) in the Netherlands. The license was granted on 24 March 2022. As part of the expansion, the Group has also continued to expand its technology and marketing teams.
- In addition, on 15 February 2022, the Group completed the acquisition of 49% of True Partner Advisor Hong Kong Limited (“**TPAHK**”). After the acquisition, the Group obtained full ownership of TPAHK. The Board is of the opinion that such full ownership allows the Group to further utilize this licensed asset management company in expanding current investment mandates and potentially obtaining additional investment mandates and as such enhance the return to the shareholders of the Company.

Selected Financial Highlights

(in HK\$ millions as of 31 March 2022 unless stated, with comparison to 31 March 2021)



⁵ The Group manages or advises on both fund products and other investment mandates. For the purposes of this announcement, fund products launched by the Group or co-branded with the Group where a subsidiary of the Group is the investment manager or sub-investment manager are grouped under “fund vehicles”; other mandates are grouped under “managed accounts”. As of 31 March 2022 the Group’s managed accounts deploy the Group’s relative value trading strategy on a standalone basis or in conjunction with customized strategies.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Our firm assets under management is US\$1,618 million as of 31 March 2022 and we currently manage or advise on both fund products and managed accounts³. Our longest running fund product was launched in July 2011 and was later restructured into a master-feeder structure to facilitate investments from U.S. taxable investors. In 2016, we launched a further fund, which is similarly structured, but with a trading strategy which has a long volatility bias. Together with International Asset Management (“**IAM**”), we made our strategy available in UCITS format in June 2019, with the launch of a co-branded fund product for which a subsidiary of the Group is the sub-investment manager and IAM is the investment manager. IAM was founded in 1989 and is one of the oldest independent asset management firms specializing in hedge funds and alternative UCITS investments. Assets under management relating to these fund products are grouped together as “fund vehicles” above and below. In addition to funds launched by us or co-branded with us, we also enter into investment management mandates with third parties who allocate a sub-fund of their umbrella fund or a portion of their assets to be managed by us. While such arrangements may have different underlying structures in accordance with client preferences, for simplicity we group assets under management relating to these mandates under “managed accounts” above and below.

As of 31 March 2022, our assets under management comprised of US\$578 million in comingled fund products (including funds where the Group is a sub-investment manager) and US\$1,040 million in managed accounts or similar arrangements, including fund of-one structures. The investors in funds managed or advised by us are mainly professional investors, including collective investment undertakings, family offices, pension funds, endowments/foundations, financial institutions and high net worth individuals. As of 31 March 2022, our assets under management included mandates deploying our relative value strategy and other volatility strategies developed by the Group.

Market Environment

The first quarter of 2022 saw a decline in most equity markets but a limited reaction from equity index implied volatilities. Focusing on the MSCI World Total Return Index Hedged to US Dollars (“**MSCI World**”), the market had a mostly gradual decline during January, then recovered a little into month-end, finishing down -4.9%. In February, the market had a further decline, falling -2.6%. In March, equities initially fell then rallied, finishing the month up +3.1%. This left the MSCI World down -4.5% for the first quarter of 2022.

Despite the overall falls in markets, correlations among markets were somewhat low on a month-to-month basis, perhaps contributing to the lack of a major volatility event over the quarter. For example, while US markets suffered most of their losses in January, UK and Hong Kong markets were up in January. In February, when European markets suffered their biggest losses, UK, Korean and Australian markets were all positive. And in March, when US markets had a strong rally, Hong Kong’s markets finished down while European markets also saw small losses.

The two major topics of concern for markets over the quarter were the central bank response to persistently high inflation and the Russian invasion of Ukraine. The former led to a notable rise in government bond yields over the quarter, which also led to higher implied volatility in fixed income markets. Equity markets saw significant rotations under the hood (e.g. the underperformance of growth vs value stocks, which was reminiscent of the turn in the equity market in early 2000) but less drama at the index level. For the latter, the risk of the Russian invasion was steadily priced into equity index implied volatility markets as the situation evolved prior to the full-scale invasion, limiting the response of volatility markets following the invasion itself. The invasion was unusual in being so publicly anticipated by US intelligence agencies, which made trading the event prior to the invasion more of a macro call. While we made small profits from our European equity volatility positions in February 2022, these were quantitatively driven positions and we do not seek to make macro calls on the market.

The Bloomberg Global Government Bond Index Hedged to US Dollars had a fairly similar loss to global equities over the quarter, finishing down -4.2%, vs -4.5% for the MSCI World. While for equities the drawdown was giving back rather less than one quarter's prior return, for government bonds the drawdown in Q1 gave back essentially all the returns of the index since mid-2019. We will discuss the potential impact of bond market shifts in more depth in the market outlook section below.

However, despite the losses in equity markets it was not necessarily a good quarter for strategies that seek to be long protection on equity indices. To illustrate this one can compare the returns of the CBOE S&P 500 5% Put Protection Index (the “**Put Protection Index**”) with the returns of the S&P 500 Total Return Index (“**S&P 500 TR**”). US equities are by some way the largest component of the MSCI World index. The Put Protection Index is a simulated strategy that holds a long position in the S&P 500 and also systematically buys 5% out of the money put options on the S&P 500 according to a set schedule. The relative returns of the Put Protection Index and the S&P 500 TR thus can serve as an illustration of the relative costs and benefits of holding downside protection on US equities.

In the first quarter of 2022 the Put Protection Index was down -7.85%, while the S&P 500 TR was down -4.60%, i.e. the Put Protection Index underperformed the S&P 500 TR by -3.25%. The Put Protection Index also underperformed the S&P 500 TR in each individual month of the first quarter. Said another way, despite the fall in the S&P 500 over the first quarter, and despite the falls in the S&P 500 in the individual months of January and February (the S&P 500 was then up in March), having protection would have underperformed having no protection month by month and over the quarter as a whole. That is relatively unusual historically. In fact, our analysis of quarterly returns of the Put Protection Index and the S&P 500 TR from January 1990 to March 2022 observed that in quarters when the S&P 500 TR is down 4% or more, on average the Put Protection Index outperforms the S&P 500 TR by 4.17%. Furthermore, the Put Protection Index's underperformance of the S&P 500 TR by -3.25% in the first quarter of 2022 was its worst relative result in such a quarter (i.e. a quarter when the S&P 500 TR was down 4% or more) over the whole period analyzed from 1990 to 2022.

Several popular measures of equity volatility that primarily focus on at-the-money implied volatility rose modestly over the quarter. For example, the VIX index rose from 17.22 to 20.56. A similar measure for the Euro Stoxx 50 rose from 19.27 to 28.99, while the equivalent measures in the Japanese Nikkei rose from 19.21 to 21.98 and in the Korean Kospi index from 16.50 to 17.14 respectively. These measures provide a snapshot of implied volatility at different points in time, but it is important to remember that they are not directly tradable and movements in these indices can occur without changes in the implied volatilities of specific options, as shifts can occur by the indices changing which options they reference.

Of these various indices, the VIX has the most liquid derivatives market, via VIX futures and options. While the VIX index rose over the first quarter, VIX derivatives painted a more mixed picture. Over the first quarter VIX April 2022 expiry futures declined from 24.69 to 23.47. VIX May 2022 expiry futures also declined, from 25.25 to 24.99. On the other hand, the ProShares VIX Short-Term Futures ETF (“VIX ETF”), which systematically buys and rolls short-term VIX futures, had a gain for the quarter, rising from 15.17 to 16.57. The VIX ETF runs at a high level of realized volatility (93% annualized over the 100 days to end March 2022) and for context it is important to note that despite its gain in the first quarter, the ETF’s end-March 2022 value of 16.57 was still 20% below its value of 20.70 at the end of November 2021. Overall, we observed that changes in equity index implied volatility were surprisingly subdued over the quarter as a whole, particularly relative to headline equity index returns.

Investment Performance

The first quarter was challenging for our strategies, with the True Partner Fund, our longest running strategy, down -2.56%.⁶ The True Partner Fund experienced small losses in January, small gains in February and then a loss of -2.44% in March, which accounted for the large majority of the loss over the first quarter as a whole. The True Partner Fund has historically had its strongest performance during periods in which equities have declined and implied volatility has risen. While equities declined over the first quarter, changes in equity index implied volatility were more muted, particularly when considering same strike volatilities (i.e. the changes in the implied volatilities of specific options), resulting in limited relative value opportunities. While the return in the first quarter was disappointing, the True Partner Fund has seen more difficult quarters in the past, and we remain confident in our investment approach.

Investment performance in any given short time period can fluctuate around the long-term average based on the prevailing market opportunities. Investors in the Group’s products typically focus on long-term investment performance as a key metric as they are generally seeking to invest with a longer-term horizon. When considering the whole period from its inception in July 2011 through 31 March 2022, the True Partner Fund, the Group’s longest running fund product³ has outperformed each of the CBOE EurekaHedge Relative Value Volatility, Long Volatility and Short Volatility Hedge Fund indices in both absolute terms and in alpha terms. The Group considers these indices to be relevant benchmarks of peer performance as they are comprised of hedge funds

⁶ The net monthly return is calculated net of all fees and based on True Partner Offshore Fund Class B-1 shares as calculated and reported by the fund’s administrator, which is generally representative of the overall performance of TPF as the class B-1 series of shares has the longest track record among all classes and series of shares, being established since the inception of the respective funds and having terms which are ordinary and standard as compared to other class and series of shares.

trading different types of volatility strategies. Over the same inception to date period, considering the whole period from July 2011 through 31 March 2022, the True Partner Fund, our longest running fund product has also outperformed the Eureka Hedge Asset Weighted Hedge Fund Index, a broad index of hedge fund performance, in both absolute terms and in alpha terms.

Financial Performance

The Group's primary source of revenues is its fund management business. Fund management revenues are derived from both management fees and from performance fees. Revenues for the three months ended 31 March 2022 were HK\$14 million. This compares to revenues of HK\$14.8 million for the three months ended 31 March 2021. The decrease in revenue was primarily due to shifts in product mix over the period. Revenue per unit of assets under management can vary as a result of a number of factors. Individual fund products and managed accounts can have different fee structures due to differences in the nature and sizes of the mandates and other factors. When comparing the period for the three months ended 31 March 2022 to the three months ended 31 March 2021, the assets under management in managed accounts increased relative to the assets under management in fund products. Net inflows were positive into managed accounts and negative in fund products, resulting in an overall net increase in assets under management. Inflows were also driven by larger clients. Overall the effects of this included that the expected relative contribution of management fees and performance fees to revenues per unit of assets under management became more focused on performance fees and less focused on management fees. The combination of these factors led to a small decrease in the average revenue per unit of assets under management for the three months ended 31 March 2022 as compared to the three months ended 31 March 2021.

General and administrative expenses were HK\$18.4 million in the first quarter of 2022, as compared to HK\$15.7 million in the first quarter of 2021. The increase in expenses was primarily due to an increased staff cost since the overall number of personnel was higher in the first quarter of 2022 as compared to the first quarter of 2021. Other drivers of increased expense included sales and marketing fees, data expenses and administrative expenses as the Group has been working on the expansion of its operations in Europe and Asia in line with the use of proceeds outlined in the Prospectus.

The Group's loss before income tax was a loss of HK\$6.4 million in the first quarter of 2022, as compared to a loss of HK\$3.7 million in the comparable period in 2021. Loss attributable to owners of the company was HK\$6.6 million in the first quarter of 2022 (after tax), as compared to a loss of HK\$4.5 million in the comparable period of 2021. The Group's comprehensive loss attributable to owners of the company was HK\$3.8 million in the first quarter of 2022 as compared to a loss of HK\$4.6 million in the comparable period of 2021.

Assets Under Management

The Group reports its assets under management in US dollars⁷. US dollars are the base currency of most of the Group's fund vehicles and managed accounts. The Group had \$1,618 million in assets under management as of 31 March 2022. This compares to \$1,550 million in assets under management as of 31 March 2021, representing an increase of \$68 million or 4%. Assets under management were relatively stable over the first quarter, with a small decrease relative to the end of 2021 from \$1,675 million as of 31 December 2021 to \$1,618 million as of 31 March 2022. The decrease relative to the end of 2021 was primarily by negative investment performance. The increase relative to the end of the first quarter of 2021 was driven by positive net inflows, partially offset by the effects of negative investment performance.

As of 31 March 2022, the Group had \$578 million in assets under management in fund vehicles and \$1,040 million in managed accounts. This compares to \$870 million in assets under management in fund vehicles and \$680 million in managed accounts as of 31 March 2021.

Business Development Activities

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

During the first quarter of 2022, the team has been actively engaged with investors and prospects through webinars and on a one-on-one basis. This included holding a webinar for the True Partner Fund and various one-on-one online meetings. These provided an opportunity to discuss the Fund's performance in 2021 and 2022 outlook. Working in conjunction with IAM, with whom the Group has a partnership for the UCITS fund product for which we are sub-investment manager, we also held a webinar for UCITS investors. The Group also continued to engage with investors and prospects via newsletters and other means. We have also been actively engaged with our capital introduction partners over the period.

⁷ Figures for assets under management may include figures based on estimated net asset values for fund vehicles or managed accounts managed or advised by the Group

Amid a challenging environment for traditional due diligence processes, which typically involve in person, onsite activity, and an environment where investors have had a lot of areas on which to focus, have been pleased with the way the Group has been able to adapt to remain highly engaged with investors and prospects. With restrictions on travel also easing in Europe over the course towards the end of the first quarter and into the second quarter, we have been able to plan participation of senior personnel at leading in person conferences due to take place during the second quarter, including the London Volatility Investing Event in April 2022, the Morgan Stanley Annual European Hedge Fund Forum in May 2022 and the Eurex Derivatives Forum in May 2022. Travel for these events will also provide opportunities to see existing investors and prospects across multiple locations. However, while the Group has continued to actively use technology to continue its marketing efforts, potential investors who showed interest, were unable to conduct face-to-face onsite due diligence in Hong Kong, as they would be required to do as part of their investment process, given restrictive quarantine requirements imposed by the Hong Kong government throughout all of 2021 and up to the current date. As this is continuing in the second quarter, it is becoming a more of an issue given that the US and Europe, where most of the potential investors are based have opened up, hence increasing the expectation to be able to conduct onsite visits like before.

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

Technology Developments

Our technology team remains focused on maintaining and incrementally further improving the key elements of our core proprietary systems, including the Typhoon Trader, our front-end trading system, Observatory, our real-time risk management system, Quant, our data warehouse and quantitative library, Solunar, our back-office system, and Nitro, which integrates our different modules into a centralised platform. During the first quarter of 2022, we have focused on further improving the stability, redundancy, and security of both our infrastructure and our proprietary technology.

Market Outlook

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

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

In the Group's annual report for 2020 we observed that over the period of 1980 to 2020, many investors have become accustomed to a negative correlation between equities and bonds during periods of equity sell-offs. We highlighted that the negative correlation between equities and bonds had been less reliable during the equity drawdown seen during the first quarter of 2020, with periods where equities and bonds had suffered losses at the same time. Most notably, this occurred from 10th to 18th March 2020, when an ETF investing in long-term US Treasuries fell -15.7% while the S&P 500 fell -12.7%.⁸

In the Group's 2021 annual report, we noted other examples of this shift. Focusing on the US, while there were also periods where equities had been negatively correlated to bonds, in each of late January, late February/early March, mid-May and late September 2021 equities and bonds sold off together.⁹ We highlighted that in a long-term context this was less unusual, recalling that in the 1970s in particular there were various periods where equity and bond prices fell together.

The losses experienced by government bonds in the first quarter of 2022 were a further reminder that government bonds are not always negatively correlated with equity markets. The Bloomberg Global Government Aggregate Total Return Index Hedged to US Dollars was down -4.2% in the first quarter, taking the index back to its levels of mid-2019. Despite this fall, the index's yield to maturity remains just 1.72%.

⁸ Comparing the S&P 500 to the TLT ETF = iShares 20+ Year Treasury Bond ETF.

⁹ Comparing the S&P 500 to the TLT ETF = iShares 20+ Year Treasury Bond ETF. Periods noted are 26-29 January 2021, 16 February to 4 March 2021, 10-12 May 2021 and 23-30 September 2021.

Looking at US government bond markets, the Bloomberg US Long Treasury Total Return Index was down -10.6% in the first quarter of 2022. Despite these losses, as of 31 March 2022 the yield to maturity of the Bloomberg US Long Treasury Total Return Index was just 2.55%. This compared to inflation data released in early April which showed that US CPI inflation was 8.5% year-on-year, with core inflation at 6.5%. Tellingly, measures of inflation that in 2021 had been much slower to rise than headline CPI, such as the Federal Reserve Bank of Cleveland's 16% Trimmed Mean CPI, are also now showing historically high numbers, with this measure also hitting 6.5% year-on-year through March. It is perhaps helpful at this point to remember how unusual the recent period of strongly negative real interest rates is in a longer-term historical context. Just looking back to the first decade of the 2000s, when the 16% Trimmed Mean CPI had an average value of 2.39%, the average yield to maturity of the Bloomberg US Long Treasury Total Return Index was 4.89%, close to twice the level at the end of March 2022.¹⁰

We believe it is now broadly accepted that inflation will be less transitory than many initially hoped and in the first quarter we saw a meaningful change in rhetoric from the US Federal Reserve and several other central banks, and a significant repricing of interest rate expectations in 2022 and 2023. The change in view is exemplified by articles such as that published in mid-March by Minneapolis Federal Reserve President Neel Kashkari. Kashkari, a highly respected figure with experience in the private sector, in government and in central banking, had previously argued that inflation would be transitory. In his thoughtful piece he explained that:

“When inflation accelerated last year, I argued that it was likely due to transitory factors which would soon pass. That hasn't happened. This essay lays out the basic arguments I made then, the data that has come since, what I got wrong, and the potential implications for monetary policy.”¹¹

However, as we have highlighted above, even after the first quarter losses for government bonds the degree of tightening priced in would leave yields at levels that remain low by historical standards. As of 31 March 2022, 10-year inflation linked bond yields remain negative in each of the US, Germany, UK and Japan, in some cases very meaningfully so (e.g. Germany with a real yield of -2.19%). We believe there remains significant potential for investors to be surprised by the persistence of inflation and the responses of central banks and consumers. Terminal rates in upcoming hiking cycles may need to be meaningfully higher than priced, and hikes could tip economies into recessions. Net, we believe there is strong potential for inflation, monetary policy and bond dynamics to meaningfully impact equity markets going forward, creating volatility that we believe could lead to attractive relative value opportunities.

¹⁰ Sources: True Partner, Bloomberg

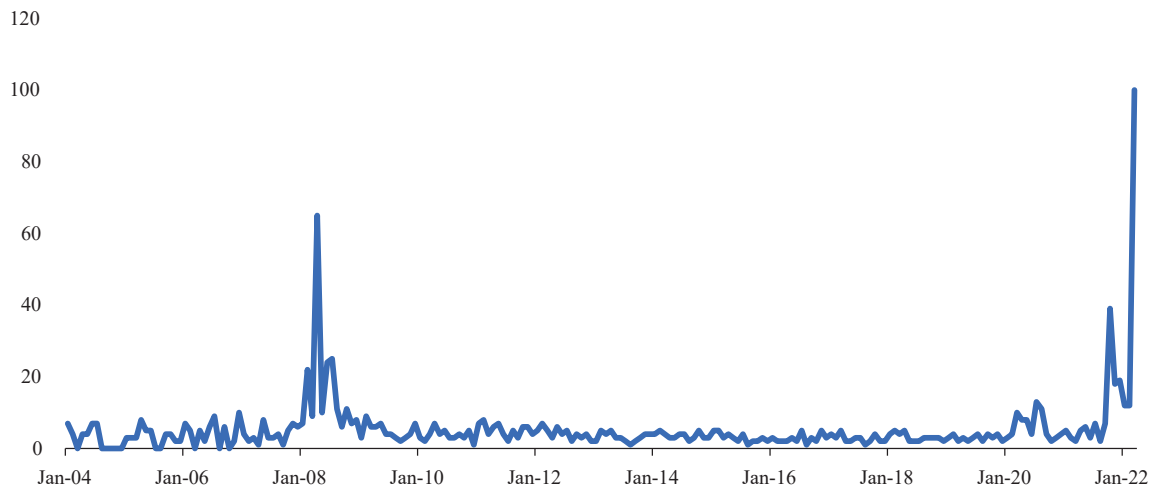
¹¹ <https://www.minneapolisfed.org/article/2022/update-on-inflation-and-monetary-policy>

Shifting focus, the ongoing war in Ukraine, following the Russian invasion, is having a tragic human cost that is unfolding before our eyes. From an economic perspective, the conflict is also likely to further compound inflation problems, as the war and policy response is resulting in significant impacts on certain commodity markets, that we believe are now having second round effects in other markets that are likely to increase. The conflict is of course also clearly a source of unpredictable geopolitical risks. Russian actions are drawing widespread condemnation and NATO members are becoming increasingly robust in the types of military assistance that they are providing to Ukraine to support its defence of its territory. The potential for such support appeared to be a key driver of market anxieties in early March 2022, and we believe could again command more attention from markets in future. There are also other obvious tail risks such as a nuclear conflict that we all deeply hope will be avoided but which should not be entirely ignored.

As we have noted before, with government bonds typically being utilised as the “safer” portion of many traditional portfolios, the low level of bond yields and path ahead raises challenges for asset allocation. If government bond yields rise to levels closer to their long-run averages, this could result in further losses for bond portfolios. This could also make equities look less attractive on a relative basis, particularly stocks whose valuations are most dependent on growth many years from now. This could in turn challenge equity markets. Rising cost pressures may also pressure corporate margins.

The worst outcome could be a ‘stagflation’ type scenario, where inflation proves persistent even if growth slows to low levels. This could be negative for both equities and bonds. Such a scenario may produce volatile market conditions that could provide opportunities for certain volatility strategies. Google Trends data (shown below) suggest Americans have recently become much more interested in stagflation. Evidence of consumer concerns around inflation and living costs is also evident in opinion polls.

Google Trends Data: “Stagflation” Search Term – January 2004 to March 2022¹²



As noted briefly above, the rise in bond yields also increases the discount rate applied to projected earnings many years away, which may impact high growth stocks with low current profitability, but which command hefty valuation multiples based on expectations of strong profits in many years' time. When the discount rate increases, future profits become less valuable today, and this can lead to changes in perceptions of value. We saw some evidence of this in the first quarter, with the Nasdaq underperforming the S&P 500 and growth stocks underperforming value stocks, in a move that was somewhat reminiscent of the turn in the equity markets in 2000. A more meaningful and persistent change in discount rates, or a softening of lofty growth expectations, could be meaningful risk factors for some parts of the equity markets.

At the same time as inflation and Ukraine are dominating news in many countries, the Covid pandemic remains a material concern, particularly in some key economies in Asia. Public health driven restrictions have the potential to impact economic activity and may also further exacerbate global supply chain challenges – further amplifying inflation. We are also seeing divergences in cross country monetary policy expectations that could drive shifts in currencies that in turn impact equity markets. Net, it seems to us that there are multiple reasons why we could be set for a period of more sustained volatility ahead.

¹² Source: <https://trends.google.com/trends/explore?date=all&geo=US&q=stagflation>

Despite all these macro concerns, as of mid-April 2022 30-day at-the-money equity index implied volatilities across the key markets traded by the Group were generally around long-term averages and a long way from 2020 peaks. Realized volatility, taking a measure over the previous 20 days, was also around long-term averages in most of these markets.¹³ Some cross-asset metrics also suggest to us that equity index volatility may have so far under-reacted relative to other asset classes. For example, our analysis suggests that the MOVE Index, which is a weighted average measure of implied volatility in US Treasury markets, is at an elevated level relative to the VIX index, which measures implied volatility in US equity markets.¹⁴

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

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

¹³ Sources: True Partner, Bloomberg. Averages are based on 2006 to 2022 data.

¹⁴ Sources: True Partner, Bloomberg. Based on an analysis of the last 10 years of data.

USE OF PROCEEDS FROM THE LISTING

The shares of the Company (the “**Shares**”) were listed on GEM on 16 October 2020 (the “**Listing Date**”) by way of placing and public offer (the “**Share Offer**”). The Share Offer of 100,000,000 new ordinary shares at HK\$1.40 each raised net proceeds of approximately HK\$104 million (after deduction of underwriting fees and listing expenses). Details of the Share Offer are set out in the Prospectus and in the Company’s announcement on 15 October 2020.

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumptions of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group’s business and the industry, and will be subject to change based on current and future development of market conditions. The Board considers that the development direction of the Group remains unchanged. However, due to prolonged travelling and quarantine restrictions on travelers administered by the Hong Kong Government due to COVID-19 that affected onboarding of new overseas investors, the Board will continue closely monitor the situation and evaluate the impacts on the timeline to utilize the unutilized proceeds and will keep shareholders and potential investor informed if there are any material changes.

FINANCIAL REVIEW

Revenue

During the Reporting Period, revenue of the Group amounted to HK\$14 million, representing a decrease of HK\$749,000, or approximately 5% as compared with HK\$14.8 million for the corresponding period of 2021. The decrease in revenue was primarily due to shifts in product mix over the period, which had the result of decrease in the average revenue per unit of assets under management for the Reporting Period.

Gross profit and gross profit margin

Gross profit of the Group for the Reporting Period was HK\$12.7 million, representing a decrease of HK\$0.5 million or 4% from HK\$13.1 million for the corresponding period of 2021. The decrease was primarily driven by a decrease in the average revenue per unit of assets under management for the Reporting Period.

General and administrative expenses

General and administrative expense of the Group for the Reporting Period amounted to HK\$18.4 million, representing an increase of HK\$2.7 million or approximately 17% from HK\$15.7 million over the corresponding period of 2021. This was primarily due to an increase in sales and marketing expense, staff cost, IT expense and administrative expense as the Group has been working on the expansion of its operations in Europe and Asia.

Dividends

The Board does not recommend the payment of any dividend in respect of the three months ended 31 March 2022 (three months ended 31 March 2021: Nil).

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

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

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

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

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

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

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

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

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

Except for the above, the Group had no other material acquisition or disposal of subsidiaries and associated companies for the three months ended 31 March 2022.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2022, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long Positions in the Shares

| Name of Director/ Chief Executives | Capacity/ Nature of Interest | Number of Ordinary Shares held | Approximate percentage of interest |
|---|---|--------------------------------------|--|
| Tobias Benjamin Hekster | Beneficial owner | 57,393,018 | 14.34% |
| Godefriedus Jelte Heijboer | Beneficial owner | 56,049,644 | 14.01% |
| Ralph Paul Johan van Put ⁽¹⁾ | Interest in a controlled corporation | 58,337,399 | 14.58% |
| Roy van Bakel ⁽²⁾ | Interest in a controlled corporation | 27,686,280 | 6.92% |

Notes:

- (1) The Shares were held by True Partner Participation Limited. True Partner Participation Limited is wholly owned by Mr. Ralph Paul Johan van Put. Mr. Ralph Paul Johan van Put is deemed to be interested in all the Shares held by True Partner Participation Limited under the SFO.
- (2) The Shares were held by Red Seven Investment Ltd.. Red Seven Investment Ltd. is wholly owned by Mr. Roy van Bakel. Mr. Roy van Bakel is deemed to be interested in all the Shares held by Red Seven Investment Ltd. under the SFO.

Save as disclosed above, as at 31 March 2022, none of the Directors nor chief executives of the Company had or was deemed to have any other interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under Section 352 of the SFO; or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY

So far as is known to the Directors, as at 31 March 2022, the following persons/entities (other than Directors or chief executive of the Company) had, or were deemed to have, interests or short positions (directly or indirectly) in the Shares or underlying shares of the Company that would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long Positions in the Shares

| Name of shareholders | Capacity/ Nature of Interest | Number of Ordinary Shares held | Approximate percentage of interest |
|---|---|--------------------------------------|--|
| Franca Kurpershoek-Hekster ⁽¹⁾ | Interest of spouse | 57,393,018 | 14.34% |
| Wong Rosa Maria ⁽²⁾ | Interest of spouse | 56,049,644 | 14.01% |
| True Partner Participation Limited | Beneficial owner | 58,337,399 | 14.58% |
| Kung Yun Ching ⁽³⁾ | Interest of spouse | 58,337,399 | 14.58% |
| True Partner International Limited | Beneficial owner | 44,808,908 | 11.20% |
| Alset EHome International Inc. ⁽⁴⁾ | Interest in a controlled corporation | 62,122,908 | 15.53% |
| HFE Holdings Limited ⁽⁴⁾ | Interest in a controlled corporation | 62,122,908 | 15.53% |
| Chan Heng Fai Ambrose ⁽⁴⁾ | Interest in a controlled corporation | 62,122,908 | 15.53% |
| Chan Kong Yoke Keow ⁽⁵⁾ | Interest of spouse | 62,122,908 | 15.53% |
| Edo Bordoni | Beneficial owner | 29,839,153 | 7.46% |
| Anne Joy Bordoni ⁽⁶⁾ | Interest of spouse | 29,839,153 | 7.46% |
| Red Seven Investment Ltd. | Beneficial owner | 27,686,280 | 6.92% |
| Maria Victoria Diaz Basilio ⁽⁷⁾ | Interest of spouse | 27,686,280 | 6.92% |
| Nardinc Beheer B.V. | Beneficial owner | 36,196,000 | 9.04% |
| SomethingEls B.V. ⁽⁸⁾ | Interest in a controlled corporation | 36,196,000 | 9.04% |
| ERMA B.V. ⁽⁸⁾ | Interest in a controlled corporation | 36,196,000 | 9.04% |
| Dasym Managed Accounts B.V. ⁽⁸⁾ | Investment manager | 36,196,000 | 9.04% |
| F. J. Botman Holding B.V. ⁽⁸⁾ | Interest in a controlled corporation | 36,196,000 | 9.04% |
| Franciscus Johannes Botman ⁽⁸⁾ | Interest in a controlled corporation | 36,196,000 | 9.04% |

Notes:

- (1) Mrs. Franca Kurpershoek-Hekster is the spouse of Mr. Tobias Benjamin Hekster, an executive Director, and Mr. Tobias Benjamin Hekster holds 14.34% in True Partner Capital Holding Limited. By virtue of the SFO, Mrs. Franca Kurpershoek-Hekster is deemed to be interested in the same number of Shares in which Mr. Tobias Benjamin Hekster is deemed to be interested in under the SFO.
- (2) Mrs. Wong Rosa Maria is the spouse of Mr. Godefriedus Jelte Heijboer, an executive Director, and Mr. Godefriedus Jelte Heijboer holds 14.01% in True Partner Capital Holding Limited. By virtue of the SFO, Mrs. Wong Rosa Maria is deemed to be interested in the same number of Shares in which Mr. Godefriedus Jelte Heijboer is deemed to be interested in under the SFO.
- (3) Mrs. Kung Yun Ching is the spouse of Mr. Ralph Paul Johan van Put, the chairman and executive Director and True Partner Participation Limited is wholly owned by Mr. Ralph Paul Johan van Put. True Partner Participation Limited holds 14.58% in True Partner Capital Holding Limited. By virtue of the SFO, Mrs. Kung Yun Ching is deemed to be interested in the same number of Shares in which Mr. Ralph Paul Johan van Put and True Partner Participation Limited are deemed to be interested in under the SFO.
- (4) True Partner International Limited and Global eHealth Limited are wholly owned subsidiaries of Alset EHome International Inc.. Alset EHome International Inc. is 15.57% and 37.48% owned by Mr. Chan Heng Fai Ambrose and HFE Holdings Limited respectively. HFE Holdings Limited is wholly owned by Mr. Chan Heng Fai Ambrose. True Partner International Limited and Global eHealth Limited holds 11.20% and 4.33% in True Partner Capital Holding Limited respectively. By virtue of the SFO, Mr. Chan Heng Fai Ambrose is deemed to be interested in the Shares held by True Partner International Limited and Global eHealth Limited under the SFO.
- (5) Mrs. Chan Kong Yoke Keow is the spouse of Mr. Chan Heng Fai Ambrose and Mr. Chan Heng Fai Ambrose is deemed to be interested in 15.53% in True Partner Capital Holding Limited per note (4) above. By virtue of the SFO, Mrs. Chan Kong Yoke Keow is deemed to be interested in the same number of Shares in which Mr. Chan Heng Fai Ambrose is deemed to be interested in under the SFO.
- (6) Mrs. Anne Joy Bordoni is the spouse of Mr. Edo Bordoni and Mr. Edo Bordoni holds 7.46% in True Partner Capital Holding Limited. By virtue of the SFO, Mrs. Anne Joy Bordoni is deemed to be interested in the same number of Shares in which Mr. Edo Bordoni is deemed to be interested in under the SFO.
- (7) Mrs. Maria Victoria Diaz Basilio is the spouse of Mr. Roy van Bakel, an executive Director and Red Seven Investment Ltd. is wholly owned by Mr. Roy van Bakel. Red Seven Investment Ltd holds 6.92% in True Partner Capital Holding Limited. By virtue of the SFO, Mrs. Maria Victoria Diaz Basilio is deemed to be interested in the same number of Shares in which Mr. Roy van Bakel and Red Seven Investment Ltd are deemed to be interested in under the SFO.
- (8) Each of SomethingEls B.V. and ERMA B.V. holds 50% interest in Nardinc Beheer B.V. By virtue of the SFO, SomethingEls B.V. and ERMA B.V. are deemed to be interested in the Shares held by Nardinc Beheer B.V. under the SFO. Dasym Managed Accounts B.V., as investment manager, is 90.1% owned by F.J. Botman Holding B.V. which in turn is wholly owned by Mr. Franciscus Johannes Botman. By virtue of the SFO, Dasym Managed Accounts B.V., F.J. Botman Holding B.V. and Mr. Franciscus Johannes Botman are deemed to be interested in the Shares held by Nardinc Beheer B.V. under the SFO.

Save as disclosed above, as at 31 March 2022, the Directors were not aware of any other persons/entities (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interest or short positions in the Shares or underlying Shares of the Company would fall to be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

A pre-IPO share option scheme was adopted and approved by the then shareholders of the Company on 13 February 2020 (the “**Pre-IPO Share Option Scheme**”). The purpose of the Pre IPO Share Option Scheme is to recognise and acknowledge the contributions made by certain employees of the Group to the growth of the Group by granting options to them as rewards and further incentives. For more information, please refer to the section of “Directors’ Report” in the Group’s annual report for the year ended 31 December 2021 (the “**Annual Report 2021**”). As at 1 January 2022 and 31 March 2022, 7,947,488 share options remained outstanding. No share option was granted, exercised, lapsed or forfeited during the three months ended 31 March 2022.

Share Option Scheme

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

INTERESTS IN COMPETING BUSINESS

None of the Directors or the substantial Shareholders (as defined in the GEM Listing Rules) of the Company (the “**Substantial Shareholders**”) or their respective close associates (as defined in the GEM Listing Rules) has interests in any business apart from the Group’s businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group and any other conflicts of interest which any such person has or may have with the Group for the three months ended 31 March 2022 and up to the date of this announcement.

INTEREST OF THE COMPLIANCE ADVISER

As notified by Alliance Capital Partners Limited (“**Alliance Capital**”), compliance adviser of the Company, neither Alliance Capital nor any of its close associates (as defined in the GEM Listing Rules) and none of the directors or employees of Alliance Capital had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 March 2022.

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the “**Code of Conduct**”) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, all Directors have confirmed that they had fully complied with the Code of Conduct during the three months ended 31 March 2022.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the three months ended 31 March 2022.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited condensed consolidated financial results of the Company for the three months ended 31 March 2022 and is of the opinion that such results have been complied with the applicable accounting standards and the requirements under the GEM Listing Rules, and that adequate disclosures have been made.

By order of the Board
True Partner Capital Holding Limited
Ralph Paul Johan van Put
Chairman and Chief Executive Officer

Hong Kong, 12 May 2022

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

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

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