KINGKEY FINANCIAL INTERNATIONAL

2020
ANNUAL REPORT

Kingkey Financial International (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1468

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CORPORATE INFORMATION

Board of Directors

Executive Directors
Mr. Wong Chun Chau *(Chairman)*
Ms. Kwok Yin Ning *(Chief Executive Officer)*

Independent Non-executive Directors
Ms. Mak Yun Chu
Mr. Hung Wai Che
Mr. Leung Siu Kee

Company Secretary
Mr. Tsang Hing Bun

Audit Committee
Ms. Mak Yun Chu *(Chairperson)*
Mr. Hung Wai Che
Mr. Leung Siu Kee

Remuneration Committee
Mr. Hung Wai Che *(Chairperson)*
Ms. Mak Yun Chu
Mr. Leung Siu Kee

Nomination Committee
Mr. Leung Siu Kee *(Chairperson)*
Ms. Mak Yun Chu
Mr. Hung Wai Che
Mr. Wong Chun Chau

Authorised Representatives
Mr. Wong Chun Chau
Ms. Kwok Yin Ning

Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited
Public Bank (Hong Kong) Limited

Auditor
Confucius International CPA Limited

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

Headquarters and Principal Place of Business in Hong Kong
902, Harbour Centre, Tower 2,
8 Hok Cheung Street, Hunghom,
Kowloon, Hong Kong

Hong Kong Branch Share Registrar and Transfer Office
Tricor Investor Services Limited
Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

Principal Share Registrar and Transfer Office in the Cayman Islands
Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive,
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

Corporate Website
http://www.ukf.com.hk

Stock Code
1468

Listing Dates
24 August 2012 (Growth Enterprise Market)
20 March 2015 (Main Board)

CHAIRMAN'S STATEMENT

Dear Shareholders,

I hereby report to you the status of Kingkey Financial International (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2020.

Business Review

2019 is a difficult year to most, if not all, companies in the world. The Company is no exception.

With our business being diversified since last year, we managed to outperform in the first half of 2019/20 financial year as compared with the corresponding period of last financial year. In the second half, however, the ongoing trade dispute between China and the United States, and the continuing weakening of the China economic condition have drastically affected the psychology of the market investors in a negative way; and most importantly, the outbreak of the coronavirus ("COVID-19") since the first quarter of 2020 has shattered every economic sector on a global scale. Businesses have been put to halt as a result of the exercise of isolating measures such as quarantine after traveling from other places and lockdown of a region or even a country. The market sentiment was in despair as evidenced by the plummet of global stock markets (including the Hang Seng Index) and cross border business activities were stopped. These have materially impacted all our businesses.

Securities

Kingkey Securities Group Limited (formerly "Great Roc Capital Securities Limited") is the flagship company of the Group for the securities business, which has the permitted licences to carry out Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities under the Securities and Futures Ordinance ("SFO", Chapter 571 of the Laws of Hong Kong). For the year ended 31 March 2020, the business contributed approximately HK$37.3 million revenue (2019: approximately HK$28.5 million) and approximately HK$2.8 million profit (2019: approximately HK$3.2 million). Although the overall revenue increased, the securities brokerage income dropped significantly due to the poor stock market sentiment. Fortunately, as a result of the shift of business focus from brokerage income to underwriting and placing business, we managed to mitigate the impact from the shrink of market turnover and even outperformed last year.

Insurance Brokerage

In the financial year 2017/18, the Group acquired 51% equity interest of King Privilege Wealth Management Limited (now known as Kingkey Privilege Wealth Management Limited ("KKWM")), which has been actively expanding its product categories and extending its scope of service. In early 2020, the Group acquired the remaining 49% equity interest and KKWM has now become a wholly owned subsidiary of the Company. As at 31 March 2020, it was staffed by a team of over 75 experienced insurance professionals, and representing over 25 major life and general insurance providers. As at 31 March 2020, KKWM has been managing over 1,700 insurance policies for over 1,290 clients and has accumulated total Annualised First Year Premium ("AFYP") amount of over HK$271 million; with total Annualised First Year Commission ("AFYC") amount of over HK$79 million.

In order to better utilise the resources, the family office business has been combined to KKWM. During the financial year, it has earned commission of approximately HK$2.0 million.

CHAIRMAN'S STATEMENT

Fur

During the year, the business model of the fur business remained as mink farming and fur skin brokerage and financing. The fur business has been difficult in recent years due to weak demand as a result of dim economic outlook, global warming leading to continuous temperature rising worldwide and the decrease in use of mink as materials in some international designers' collections. The dire situation has been exacerbated by the outbreak of COVID-19 in China one week before Chinese New Year which is the peak of retail sales in fur garments. The lockdown measures taken by many countries included our main markets, i.e., China, Europe and America that have put all commercial activities to stop.

In light of the pandemic, apart from tightening our cost control, we have also changed our business strategy from originally increasing the breeding quantity of mink to reducing the quantity before the end of February this year in order to minimise our operating cost.

Other segment

For the financial year ended 31 March 2020, the Company's money lending and assets management business had shown improvement as the demand for fund became more keen. In the meantime, the Company exercised tight credit review procedures on the creditworthiness of creditors to ensure the credit quality of the loans.

Change of Company name

In order to better reflect the business nature and strategic direction of future development of the Group, the Company proposed to change its name from UKF (Holdings) Limited to Kingkey Financial International (Holdings) Limited and adopt a Chinese name "京基金融國際(控股)有限公司" as the secondary name of the Company to replace the Chinese name "英裘(控股)有限公司" (the "Proposed Change of Company Name"). The Proposed Change of Company Name was approved by shareholders of the Company as a special resolution at an extraordinary general meeting on 5 November 2019 and became effective from 6 November 2019 as the Certificate of Incorporation on Change of Name by the Registry of Companies in the Cayman Islands on 6 November 2019. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 26 November 2019. The Company's new stock short name has been changed from "UKF" to "KINGKEY FIN INT" in English and from "英裘控股" to "京基金融國際" in Chinese with effect from 9:00 a.m. on 13 December 2019 while the Company's stock code of "1468" remains unchanged.

CHAIRMAN'S STATEMENT

Prospects

Hong Kong has been under siege by the trade dispute of China and the United States and the slowdown of China's economy. Although a first deal has already been sought to resolve the trade dispute, it is widely believed that it still has a long way to go before a full resolution is achieved, if any. In addition to the unexpected outbreak of the pandemic which has driven the world economy down the swirl, it is hard to have any company completely immuned from the impact. The only question is how serious it is affected. While the major source of income of the Group is from financial industry which is a highly sensitive to political and economic changes, we never underestimate the possible effect that these factors can threaten us. The sooner the pandemic dies down, the lesser the extent the Group is under threat. In this light, to prepare for the worst, we will fine tune our business strategy and leverage on our expertise to increase our market share in the midst of the trough of our competitors. Meanwhile, we will place more effort in broadening our clientele and diversifying our business geographically where possible to cushion the similar shock in the future.

The pandemic has hit hard the fur business, further shattering the foundation of this sector. As it drags most economies into recession, we expect this business will continue to suffer and do not expect that fur garments, which are luxury goods, will have good sales this winter. Given that the COVID-19 virus will not return this winter and no more international designers discontinue the use of fur in their collections, recovery is not impossible as our Danish mink is the highest quality of mink in the industry and demand will come back to us one day. Meanwhile, we have resumed sales in April 2020 auctions and will continue to keep the business to run at minimal cost to pull through this very difficult time.

Last but not least, I would like to express my gratitude to all staff of the Group for your relentless effort and contributions to the Group. Appreciation also goes to all the shareholders of the Company for your unfailing support and I wish you all the best of health and luck.

Wong Chun Chau
Chairman
Hong Kong, 24 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue and Segment Results

Revenue of the Group for financial year ended 31 March 2020 ("FY2020") was approximately HK$125.0 million (FY2019: approximately HK$113.5 million). The increase in revenue was mainly due to the growth in insurance brokerage business.

Securities

Kingkey Securities Group Limited was licensed to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under SFO. For FY2020, the Group's commission income from securities brokerage, underwriting and placing, plus interest income from securities margin financing, cash clients and IPO loans amounted to approximately HK$37.3 million (FY2019: approximately HK$28.5 million), representing an increase of approximately 30.9% as compared to the last corresponding year.

The increase in revenue was mainly contributed by the triple increase in revenue from underwriting, sub-underwriting, placing and sub-placing to totaling approximately HK$12.8 million, which outweighed the decrease in brokerage commission, showing positive feedback of the Group's business strategy.

The securities brokerage commission decreased from last year's approximately HK$5.4 million to this year approximately HK$2.3 million is mainly due to the declining market trend as shown by the movement of Hang Seng Index during the year and the deterioration of market sentiment during the COVID-19 outbreak 2020.

The securities business reported segment profit of approximately HK$2.8 million for FY2020 (FY2019: approximately HK$3.2 million).

Insurance brokerage

Insurance brokerage represented the provision of insurance brokerage and wealth management services which commenced during the last financial year.

Kingkey Privilege Wealth Management Limited, the insurance brokerage arm of the Group, is registered with the Insurance Authority and it is staffed by a team of over 75 experienced insurance professionals and is representing over 25 major life and general insurance provider.

The business remained on track, albeit from the adverse effect of the coronavirus outbreak in early 2020. During FY2020, revenue from insurance brokerage, which represented commission income received from broking and dealing in insurance products amounted to approximately HK$82.0 million (FY2019: approximately HK$40.9 million), more than a double of last year's revenue of the same kind. It reported a profit of approximately HK$0.07 million for FY2020 (FY2019: loss of approximately HK$8.5 million).

Fur

For FY2020, the Group's fur business remained difficult and revenue of the fur business amounted to approximately HK$2.0 million (FY2019: approximately HK$36.4 million). Due to the weak demand and expected low price of fur, the Company suspended trading during the year. As a result, the trading volume of fur sales shrank. As the pandemic increased in both magnitude and duration of the outbreak of COVID-19, fur business is experiencing conditions often associated with a general economic downturn. The fur business reported a loss of approximately HK$41.8 million for FY2020 (FY2019: approximately HK$33.2 million).

As disclosed in the interim report of the Company for the six months ended 30 September 2019, in anticipation of the prolonged slowdown, the management further tightened cost control by operating fewer farms in order to incur less overheads and retained the inventory during the year.

Other segment

Other segment represented the provision of money lending and asset management services in Hong Kong.

Kingkey Finance Limited holds a money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). During the year, the Group conducted several money lending transactions and the individual loan size ranged from approximately HK$0.5 million to approximately HK$10 million.

The money lending business contributed interest income of approximately HK$3.6 million to the revenue of the Group for FY2020 (FY2019: approximately HK$7.7 million) and reported a loss of approximately HK$3.8 million (FY2019: profit of approximately HK$0.6 million). The interest rate charged was ranging from 12% to 48%. During the FY2020, none of the creditors together with their associates (if any), had borrowed the amount more than 8% of the total assets of the Group in aggregate at any time.

Kingkey Asset Management Limited was licensed to conduct type 9 (asset management) regulated activities under SFO. It provides portfolio management services to its clients. The business is in the starting stage, which reported contributed an asset management service income of approximately HK$0.05 million (FY2019: Nil).

Cost of sales

The cost of sales of the Group amounted to approximately HK$84.1 million for FY2020, representing an increase of approximately 6.6% from approximately HK$78.9 million for the last corresponding period. The increase in cost of sales was mainly due to the increase in commission paid out, being in line with growth in insurance brokerage business.

Gross profit and gross profit margin

As a result of the above situations, the Group recorded a consolidated gross profit of approximately HK$40.9 million or gross profit margin of 32.7% for FY2020, compared with that of approximately HK$34.7 million or 30.5% for FY2019.

Other income

Other income increased by approximately HK$3.4 million for FY2020, mainly due to annual award from insurance company for insurance brokerage business on sales target achieved.

MANAGEMENT DISCUSSION AND ANALYSIS

Provision for allowance for expected credit loss

The Group recognised a loss of approximately of HK$11.9 million from an adjustment in the expected credit loss of margin and cash loan client in securities business for FY2020, compared to a loss of HK$1.6 million last year. In the first quarter of 2020, the coronavirus ignited global panic as hundreds of thousands of people were infected, share prices tumbled. Together with the deterioration of market sentiment, the continuation of these circumstances posed a significant impact on the relevant provision for expected credit loss as at 31 March 2020.

Administrative expenses

The administrative expenses of the Group decreased by approximately 3.5% from approximately HK$95.4 million for FY2019 to approximately HK$92.1 million for FY2020. The decrease in the administrative expenses was primarily due to absence of share based payment in FY2020.

Finance costs

Finance costs, which mainly represented interest expenses for bank borrowings, were approximately HK$8.4 million for FY2020 (FY2019: approximately HK$10.8 million). The decrease in finance costs was mainly due to absence of the imputed interest on the promissory note in current year which was fully redeemed in July 2018, amounted to approximately HK$2.5 million.

Loss for the year

Combined with the above factors, the Group reported a decrease in loss for the year to approximately HK$70.9 million (FY2019: approximately HK$89.2 million).

Liquidity, Financial Resources and Capital Structure

The Group mainly finances its operations with internally generated cash flow, bank borrowings and equity/debt financings. The Group maintained bank balances and cash of approximately HK$42.1 million as at 31 March 2020 (31 March 2019: approximately HK$100.8 million) in Hong Kong Dollar and United States Dollar. The net assets of the Group as at 31 March 2020 were approximately HK$427 million (31 March 2019: approximately HK$458 million).

As at 31 March 2020, the outstanding principal of the short and medium-term bonds was approximately HK$48.2 million (31 March 2019: approximately HK$10.0 million), which were denominated in Hong Kong Dollar and US Dollar at fixed rates ranging from 5.5% to 9%. Those bonds were guaranteed by Mr. Chen Jiajun, the substantial shareholder of the Company, and the proceeds were planned to be utilised for supporting business development. As at 31 March 2020, approximately HK$48.2 million had been used for the same purpose.

On 21 October 2019, the Company and Differ Financial and Securities Limited (the "Placing Agent") entered into a placing agreement (the "Placing Agreement") pursuant to which the Company conditionally agreed to place, through the Placing Agent, on a best-effort basis, a maximum of 250,000,000 new shares of the Company (the "Placing Shares") to not less than six Placees who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its Connected Persons at a price of HK$0.205 (the "Placing Price") per Placing Share. The Placing Price of HK$0.205 per Placing Share represented (i) a discount of approximately 16.33% to the closing price of HK$0.245 per Share as quoted on the Stock Exchange on

21 October 2019, being the date of the Placing Agreement; and (ii) a discount of approximately 18% to the average closing price of HK$0.25 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 18 October 2019. The maximum number of 250,000,000 Placing Shares represents (i) approximately 5.42% of the existing issued share capital of the Company of 4,615,489,735 Shares as at the date of this announcement; and (ii) approximately 5.14% of the issued share capital of the Company as enlarged by the Placing. The maximum aggregate nominal value of the Placing Shares under the Placing will be HK$2,500,000.

The placing completed on 7 November 2019 and an aggregate of 234,140,000 shares had been placed, representing (i) approximately 5.07% of the existing issued share capital of the Company immediately before the completion of the placing (the "Completion"); and (ii) approximately 4.83% of the issued share capital of the Company immediately after Completion, had been successfully placed to not less than six Placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons at the Placing Price of HK$0.205 per Placing Share. The gross and net proceeds from the placing (after deducting the commission payable to the Placing Agent and other expenses incurred in the Placing) were approximately HK$48.0 million and HK$47.7 million respectively. The Company intends to apply the net proceeds from the Placing for (i) repayment of shareholder's loan; (ii) development of Company's existing business; and (iii) general working capital of the Company and potential investments to be identified.

The net placing price under the Placing is approximately HK$0.204 per Placing Share.

As at 31 March 2020, approximately HK$40 million had been utilised to repay shareholder's loan; approximately HK$7 million had been utilised for developing the Company's business and approximately HK$1 million had been utilised as general working capital and investments.

As at 31 March 2020, the Company had 4,849,629,735 shares in issue.

Financial Key Performance

The above financial data were chosen to present in this annual report as they represent a material financial impact on the consolidated financial statements of the Group for the current and/or the previous financial year, that a change of which could affect the revenue and profit conspicuously. It is believed that presenting the changes of these financial data can effectively explain the financial performance of the Group for the year ended 31 March 2019.

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure of foreign currency risk. As the Hong Kong Dollar is pegged to the United States Dollar, the Group considers the risk of movements in exchange rates between the Hong Kong Dollar and the United States Dollar to be insignificant.

Foreign Currency Management

The Group adopts a conservative approach on foreign exchange exposure management and ensures that its exposure to fluctuations in foreign exchange rates is minimised.

The Group carries out its business in Hong Kong and worldwide and its assets and liabilities as well as the income and expenses are exposed to foreign currency risk primarily arising from sales and purchases transactions, investments and borrowings denominated in United States Dollar and Danish Krone.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has certain investments and operations in Denmark which are exposed to foreign currency risk. The impact of exchange rate fluctuations on the net assets of the Group's foreign operations is considered manageable as such impact will be offset by borrowings denominated in Danish Krone.

During the year, the Group had not engaged in any financial instruments for hedging or speculative activities.

Charge of Assets

During FY2020, the Group discharged the key management insurance contract which is classified as a financial assets at fair value through profit and loss. As at 31 March 2020, the Group charged other plant and equipment, trade receivables, biological assets and inventories of approximately DKK76,978,000 (approximately HK$88,132,000) (2019: DKK80,418,000, approximately HK$94,982,000) for bank borrowings.

Capital Commitments and Contingent Liabilities

As at 31 March 2020, the Group did not have any significant capital commitments and contingent liabilities (2019: Nil).

Material Acquisitions or Disposals and Significant Investments

During FY2020, the Company did not have any material acquisitions or disposals and significant investments.

Final Dividend

The directors do not recommend any final dividend for FY2020 (FY2019: Nil).

Employee Information

As at 31 March 2020, the Group had a total of 80 staff members including Directors (2019: 74). Staff costs including Director's remuneration amounted to approximately HK$38.4 million for the year ended 31 March 2020 (2019: approximately HK$39.2 million). Remuneration is determined based on the individual's qualification, experience, position, job responsibility and market conditions. Salary adjustments and staff promotion are based on evaluation of staff performance by way of annual review, and discretionary bonuses would be paid to staff with reference to the financial performance of the Group of the preceding financial year. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong, and options that were granted or may be granted under the pre-IPO share option scheme ("Pre-IPO Share Option Scheme") and the share option scheme of the Company (the "Share Option Scheme"), together with the Pre-IPO Share Option Scheme (the "Share Option Schemes"), both of which were approved by the then sole shareholder on 1 August 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Risk Management

Credit Risk

Credit risk exposure represents trade receivables and loan receivables from customers principally arising from our business activities. The Group has a credit policy in place and the credit risk is monitored on an on-going basis.

In order to minimise the credit risk, management of the Group reviews the recoverable amount of each individual trade debt at each reporting date to ensure that appropriate and speedy follow up actions are taken on overdue balances. In this regard, the Board considers that the Group's credit risk is significantly reduced.

Liquidity risk

The Group monitors its current and expected liquidity requirements regularly and ensures sufficient liquid cash and adequate committed lines of funding from reputable financial institutions are available to meet the Group's liquidity requirements in the short and long terms.

Foreign currency risk

The Group carries out its business in Hong Kong and worldwide and most of the transactions are denominated in United States Dollar and Danish Krone. The sales and purchases transactions of the Group are exposed to the foreign currency risk.

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure to foreign currency risk. The management of the Group may implement foreign currency forward contracts to hedge the exposure to foreign currency risk. As the Hong Kong Dollar is pegged to the United States Dollar, the Group considers the risk of movements in exchange rates between the Hong Kong Dollar and the United States Dollar to be insignificant.

During the year under review, the Group has certain investments in foreign operations in Denmark, whose net assets are exposed to foreign currency risk. The impact of exchange rate fluctuations on the net assets of the Group's foreign operations is considered to be manageable as such impact will be offset by borrowings denominated in Danish Krone.

Environmental Policies and Compliance with Relevant Laws and Regulations

The purpose of this report is to communicate management approaches, strategies, priorities and key performances with stakeholders. Please refer to section "Environmental, Social and Governance Reporting" in this annual report.

Key Relationships with Employees, Customers and Suppliers

Please refer to "Major Customers and Suppliers" and "Employees" sections in "Report of the Directors".

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. WONG Chun Chau (黃振宙), aged 63, was appointed as an executive Director on 31 March 2011 and was designated as the Chairman of the Company on 1 August 2012 and a member of the nomination committee of the Company.

Mr. Wong has also been a director of U.K. Fur Limited since 2009, Trade Region Limited since 2011, UKF Finance Limited since 2012, Loyal Speed Limited and UKF (Denmark) A/S since 2013. Mr. Wong has more than 30 years' experience in the field of fur skin trading and management. Mr. Wong graduated with high honour from Clemson University, South Carolina, U.S.A. in 1977 with a Bachelor of Science degree in Chemical Engineering. He also attended a special training course in Copenhagen, Denmark, in 1981 about fur sorting and auction procedure, and acquired in-depth knowledge and skills on sorting raw fur materials, inspection of show-lots and compilation of catalogues, sales procedures and invoicing, etc. He is responsible for formulating and monitoring the Group's overall strategic plan and development.

Mr. Wong was a director of the Hong Kong Fur Federation from 1987 to 2006 and served as a director in its Skin Dealers' Committee from 1993 to 2000 and from 2003 to 2006, Overseas Affairs Committee from 1993 to 2006 and China & Local Promotion Committee from 2001 to 2006 whereas he was the director-in-charge of the Skin Dealers' Committee from 1995 to 1998. Mr. Wong is also currently the vice chairman of the International Fur Brokers Association Ltd.

Ms. KWOK Yin Ning (郭燕寧), aged 64, was appointed as an executive Director on 31 March 2011 and was designated as the Chief Executive Officer of the Company on 1 August 2012. She is also a director of several subsidiaries of the Company. She has been working in the fur industry for more than 30 years and has more than 20 years of managerial experience. She is responsible for the Group's corporate management and strategic planning.

Ms. Kwok attained a diploma on Management Studies in 1995 which was jointly awarded by the Hong Kong Polytechnic University and the Hong Kong Management Association.

Independent Non-Executive Directors

Ms. MAK Yun Chu (麥潤珠), aged 62, is a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, and has over 10 years of experience in accounting and administration. Ms. Mak has been an independent non-executive director of Heng Tai Consumables Group Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") (stock code: 197) since April 2004 and was an independent non-executive director of Wealth Glory Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange from September 2010 to November 2013 (stock code: 8269).

Ms. Mak has been an independent non-executive Director of the Company, the chairperson of the audit committee of the Company and the member of the remuneration committee and nomination committee of the Company since 15 March 2016.

Mr. LEUNG Siu Kee (梁兆基), aged 43, has more than 15 years of experience in accounting industry. He had worked in two international accounting firms for 5 years, mainly to provide auditing and business assurance services. He has been a director of a certified public accounting limited and a company providing accounting and taxation services since August 2008 and September 2016, respectively. Mr. Leung has been an executive director of Coolpad Group Limited (stock code: 2369) since 19 January 2018 and an independent non-executive director of China Chuanglian Education Financial Group Limited (stock code: 2371), which is listed on the Stock Exchange, since December 2009. He had been an independent non-executive and non-executive director of KK Culture Holdings Limited (stock code: 550) for the period from 8 September 2015 to 26 January 2018. Mr. Leung obtained a bachelor degree of business administration in accounting from The Hong Kong University of Science and Technology in November 1998 with first class honour. He has been a member of the Hong Kong Society of Accountants since March 2003 and currently a practising certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Mr. HUNG Wai Che (孔偉賜), aged 44, was appointed as independent non-executive Director on 26 August 2016. He has over 14 years of experience in legal field and operating and managing various energy and recycling projects including power station and oil refinery factories in China and Hong Kong. He graduated from the University of Wales, Aberystwyth, United Kingdom with Honours Degree in Law.

Senior Management

Mr. NG Siu Hong (伍紹康), aged 39, joined Kingkey Capital Securities Limited (formerly known as"Great Roc Capital Securities Limited") in 2013 and is currently a Managing Director of the company. Mr. Ng graduated from City University of Hong Kong with a Bachelor's degree in Economics and Finance and is taking the Executive Master of Business Administration degree at The Chinese University of Hong Kong. He has successfully implemented numerous IPOs, private placements, secondary market placements and M&A transactions.

Mr. Ng has accumulated strong experience in securities related works, and has previously worked for UOB Kay Hian (HK) Ltd. and Philip Securities (HK) Ltd. Since joining Great Roc Capital Securities Limited, he has successfully raised funds for companies in various sectors through IPOs and placements. He also possesses a wealth of experience in and has a unique perspective of different capital raising and financing services.

CORPORATE GOVERNANCE REPORT

The Company endeavours in maintaining a high standard of corporate governance for the enhancement of shareholders' value and providing transparency, accountability and independence. The Company has fully complied with the required code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 14 to the Listing Rules for the year ended 31 March 2020 with the following exception:

Mr. Tsang Hing Bun ("Mr. Tsang") was appointed as company secretary of the Company (the "Company Secretary") with effect from 25 January 2019. Although Mr. Tsang is not an employee of the Company as required under code provision F.1.1 of the Code, the Company has assigned Ms. Kwok Yin Ning, the executive director, as the contact person with Mr. Tsang. Information in relation to the performance, financial position and other major developments and affairs of the Group are speedily delivered to Mr. Tsang through the contact person assigned. Hence, all directors are still considered to have access to the advice and services of the Company Secretary in light of the above arrangement in accordance with code provision F.1.4 of the Code. Having in place a mechanism that Mr. Tsang will get hold of the Group's development promptly without material delay and with his expertise and experience, the Board is confident that having Mr. Tsang as the Company Secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations. For the year ended 31 March 2020, Mr. Tsang has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

Compliance with the Model Code for Securities Transactions by Directors

The Group adopted the code of conduct for securities transactions by Directors ("Securities Dealings Code") on terms no less exacting than that set out in Appendix 10 of the Listing Rules. Upon the Group's specific enquiry, all Directors confirmed that during the year ended 31 March 2020, they had fully complied with the Securities Dealings Code.

Board of Directors

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board comprises two executive Directors and three independent non-executive Directors and is accountable to shareholders. The powers and duties of management and control of the business of the Company are generally vested in its Board. It is the duty of the Board to enhance value of the Company to the shareholders. The composition of the Board and biographies of the Directors are set out on pages 12 to 13 of this annual report.

The two executive Directors are responsible for the leadership and control of the Company, overseeing the Group's businesses, strategic decisions and performances and are collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The three independent non-executive Directors are responsible for ensuring a high standard of financial and other mandatory reporting of the Board as well as providing adequate checks and balances in the Board in order to protect shareholders' interest and overall interest of the Group.

Each of the independent non-executive Directors has given the Company an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent and meet the independent guidelines set out in Rule 3.13 of the Listing Rules. Throughout the year ended 31 March 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications on accounting or related financial management expertise. The number of independent non-executive Directors has represented at least one-third of the Board.

Roles of Chairman and Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer are held by Mr. Wong Chun Chau and Ms. Kwok Yin Ning respectively. This ensures a clear distinction between the Chairman's duty to manage the Board and the Chief Executive Officer's duty to oversee the overall internal operation of the Group.

Division of Responsibilities of the Board and Management

The following types of matters are reserved for the Board's approval:

(a) corporate and capital structure;

(b) corporate strategy;

(c) policies (including but not limited to those relating to corporate governance);

(d) business and management;

(e) key financial matters;

(f) appointment of Board members, senior management and auditor;

(g) remuneration of directors and senior management; and

(h) communication with shareholders and the Stock Exchange.

The matters delegated by the Board to the management's decision include:

(a) approval of extension of the Group's activities not in a material manner into a new geographical location or a new business;

(b) approval and assessment of the performance of all business units;

(c) approval of expenses up to a certain limit;

(d) approval of connected transactions not requiring disclosure under the Listing Rules;

(e) approval of the nomination and appointment of personnels other than the members of the Board and senior management;

(f) approval of press release concerning matters decided by the Board;

(g) approval of any matters related to routine matters or day-to-day operation of the Group; and

(h) matters further delegated by the Board from time to time.

CORPORATE GOVERNANCE REPORT

Appointment, Re-election and Removal

Under article 84 of the Company's Article of Association, at each annual general meeting, not less than one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election. Any further Directors who have been longest in office since their last re-election or appointment shall also retire by rotation.

Under code provision A.4.1 of the Code, non-executive Directors should be appointed for a specific term, subject to re-election. The term of appointment for each of the independent non-executive Directors appointed by the Company is three years, subject to re-election and other requirements under the Company's Articles of Association, the Code and the respective letter of appointments.

Number of Meetings and Directors' Attendance

Regular Board meetings should be held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the year ended 31 March 2020, the Board held 4 regular Board meetings and 2 additional meetings. The Company held the annual general meeting on 16 August 2019 for the year ended 31 March 2019 and an extraordinary general meeting on 5 November 2019. The table below sets out the individual attendance record of each Director at the Board meetings and general meeting during the year:

	Attendance/Number of meetings		
Name of Directors	**Regular Board meetings**	**Additional Board meetings**	**General meetings**
Executive Directors			
Mr. Wong Chun Chau *(Chairman)*	4/4	2/2	0/2
Ms. Kwok Yin Ning	4/4	2/2	2/2
Independent Non-executive Directors			
Ms. Mak Yun Chu	4/4	2/2	2/2
Mr. Hung Wai Che	4/4	2/2	2/2
Mr. Tang Tat Chi*	4/4	N/A	N/A
Mr. Leung Siu Kee#	3/4	2/2	1/1

Notes:

*: Mr. Tang Tat Chi retired on 16 August 2019

#: Mr. Leung Siu Kee was appointed on 16 August 2019

The company secretary attended all the scheduled Board meetings to report matters relating to corporate governance, risk management, statutory compliance, accounting and finance.

Under code provision A.6.7 of the Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of the shareholders.

Practice and Conduct of Meetings

Code provision A.1.3 stipulates that at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given. Schedules, notices and draft agenda of each meeting are normally made available to Directors in advance in accordance with code provision A.1.3.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or audit committee meeting to keep the Directors abreast of the latest developments and financial position of the Group and to enable them to make informed decisions. All Directors are given an opportunity to include matters in the agenda for regular Board meetings. The Board and each Director also have separate and independent access to the senior management whenever necessary. With the support of the senior management, the Chairman is ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are duly kept by the company secretary and opened for inspection by the Directors.

Article 100 of the Company's Articles of Association requires Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Training and continuing development of Directors

Each Director should participate in continuous professional development to develop and refresh their skills to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development for Directors will be arranged where necessary.

The Company has also from time to time provided the Directors with continuous update on the latest development regarding the Listing Rules and other regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

All Directors have participated in appropriate continuous professional development and refresh their knowledge and skills during the year. Such professional development was completed either by way of attending briefings, conference, forum, courses and seminars and self-reading which are relevant to the business or directors' duties.

CORPORATE GOVERNANCE REPORT

Board Committees

The Board has set up three Board committees, namely the audit committee, the remuneration committee and the nomination committee, to oversee particular aspects of the Group's affairs.

The committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expenses.

Audit Committee

The Company established an audit committee (the "Audit Committee") on 1 August 2012 which comprises all three independent non-executive Directors. The current members are Ms. Mak Yun Chu (Chairperson), Mr. Leung Siu Kee and Mr. Hung Wai Che.

The Audit Committee is governed by its written terms of reference in compliance with code provision C.3.3 of the Code. Among other things, the primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. During the year, the committee met its responsibilities in reviewing the interim and annual results for the year with the professional accounting firm engaged by the Group, which conducted regular internal audits and report to the committee.

During the year, two committee meetings were held with all the then committees members present and the Board has taken no different view in respect of the Audit Committee's recommended reappointment.

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") on 1 August 2012 which comprises three independent non-executive Directors. The current members are Mr. Hung Wai Che (Chairperson), Ms. Mak Yun Chu and Mr. Leung Siu Kee.

The Remuneration Committee is governed by its terms of reference in compliance with code provision B.1.2 of the Code. The primary duties of the Remuneration Committee include the following:

(a) making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and

(c) evaluating the performance and exercising the delegated power of the Board to determine the remuneration packages of all executive Directors and senior management.

During the year ended 31 March 2020, the Remuneration Committee met once with presence of all the eligible members for the time being and reviewed, determined and made recommendation (as the case may be) on the remuneration package of Directors of the Group.

Nomination Committee

The Company established a nomination committee (the “Nomination Committee”) on 1 August 2012 which comprises all three independent non-executive Directors and one executive Director. The current members are Mr. Leung Siu Kee (Chairperson), Mr. Hung Wai Che, Ms. Mak Yun Chu and Mr. Wong Chun Chau.

The Nomination Committee is governed by its terms of reference in compliance with code provision A.4.5 of the Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee include:

(a) reviewing the structure, size and diversity of the Board at least annually and making recommendations on any proposed changes to the Board to complement the issuer’s corporate strategy;

(b) nominating potential candidates for directorship;

(c) reviewing the nomination of directors and making recommendations to the Board on terms of such appointment; and

(d) assessing the independence of independent non-executive Directors.

The Company has adopted the Board Diversity Policy which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. The Company recognises the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board. The Board has set measurable objectives (in terms of gender, skills and experience) to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

The Nomination Committee considers that the current composition of the Board is characterised by diversity after taking into account its own business model and specific needs, whether considered in terms of professional background and skills.

During the year ended 31 March 2020, the Nomination Committee met twice with the presence of all members for the time being and (i) reviewed and discussed the structure, size and diversity of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group and (ii) recommended on the re-election of the retiring Directors.

CORPORATE GOVERNANCE REPORT

Directors and Officers Insurance

Appropriate insurance covering on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the business of the Group.

Directors' and Auditor's Responsibilities in Respect of the Consolidated Financial Statements

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, other inside information announcements and other financial disclosures required under the Listing Rules and other statutory requirements.

The Directors acknowledge their responsibilities for the preparation of the accounts which give a true and fair view of the financial position of the Group and of its financial performance and cash flows for the year ended 31 March 2020.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The statement by the auditor of the Company regarding its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 65 to 70.

Auditors' Remuneration

The remuneration paid/payable to the auditors of the Group for the year ended 31 March 2020 is set out as follows:

Services rendered	**Paid/payable** HK$'000
Statutory audit services	
— Confucius International CPA Limited	830
— Other auditors	97
	927

Internal Controls and Corporate Governance Policies

The Board has overall responsibility for monitoring the internal control system and corporate governance of the Company. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system and developed and reviewed the corporate governance policies at least once a year to safeguard the interests of the shareholders and the assets of the Company and ensure compliance with legal and regulatory requirements by the Group. During the year, the Board has conducted a review of the effectiveness of the internal control system of the Company and reviewed the corporate governance policy documents and terms of reference of Board committees of the Company and the compliance with the legal and regulatory requirements, including the Code.

Internal Audit And Risk Management

During the Financial Year, the Group has complied with code provision C.2 of the Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis and an internal audit on the internal control and risk management systems performed on an annual basis. Main features of the risk management and internal control systems are described as follows:

Risk Management System

The Group has adopted a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- Identification: identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- Evaluation: analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- Management: consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted for the financial year, no significant risk was identified.

Communication with Shareholders

The Company endeavours to maintain an on-going dialogue with the shareholders and in particular to communicate with the shareholders through annual general meetings or other general meetings and encourage their participation.

The Company will ensure that there are separate resolutions for separate issues proposed at the general meetings.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirements.

Shareholders' Rights

Convening an extraordinary general meeting

Pursuant to article 58 of the Company's Articles of Association, extraordinary general meetings of the Company (the "EGM") shall be convened on the requisition of any one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such shareholders shall have the right, by written requisition to the Board or the company secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and the EGM shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

CORPORATE GOVERNANCE REPORT

Putting enquiries to the Board

To ensure effective communication between the Board and the shareholders, the Company has adopted a shareholders' communication policy (the "Policy"). Under the Policy, the Company's information shall be communicated to the shareholders mainly through general meetings, including annual general meetings (AGM), the Company's financial reports (annual, interim and (if any) quarterly reports), and its corporate communications and other corporate publications on the Company's website and the Stock Exchange's website. Shareholders may at any time make a request for the Company's information to the extent that such information is publicly available. Any such questions shall be first directed to Mr. Wong Chun Chau, the Chairman of the Board at the Company's principal place of business in Hong Kong by post at 902, 9th Floor, Harbour Centre, Tower 2, 8 Hok Cheung Street, Hunghom, Kowloon, Hong Kong or by email to admin@kkgroup.com.hk. Shareholders may also directly raise questions during the shareholders' meetings.

Putting forward proposals at Shareholders' meeting

The number of shareholders necessary for putting forward a proposal at a shareholders' meeting shall be any number of shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the request. The request to put forward a proposal must be made to the attention of the Company Secretary within 30 days from the date of the relevant shareholders' meeting.

Investor Relations

The Company believes that maintaining a high level of transparency is a key to enhance investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public. The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and (if any) quarterly reports. The corporate website of the Company (http://www.ukf.com.hk) has provided an effective communication platform to the public and the shareholders.

During the year, there had been no significant change in the Company's constitutional documents.

Dividend Policy

The company is committed to sharing the results with shareholders while striking a balance of continuous development of its business. Given the current financial condition, the possible financial resources needed for business development, the company does not expect to distribute any dividend in the near term since it intends to reserve capital for business development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Introduction

Kingkey Financial International (Holdings) Limited (formerly known as "UKF (Holdings) Limited") (the "Company") and its subsidiaries (collectively the "Group") has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 2015.

This Environmental, Social and Governance Report (the "ESG Report") summarises the initiatives, programmes, and performance on environmental, social and governance ("ESG") of the Group as well as demonstrates its commitment to sustainability.

The Group principally engages in securities, insurance brokerage and fur business. The Group has started to develop upstream business by acquiring mink farms in Denmark in 2013. Since early 2017, the Group has diversified its business to securities business and has slowly become the key business of the Group and the major source of revenue.

The ESG Governance Structure

The Group conducts a top-down management approach regarding its ESG issues. The Board of Directors (the "Board") oversees and sets out ESG strategies for the Group. It is also responsible for ensuring the effectiveness of the Group's risk management and internal controls.

To systematically manage the Group's ESG issues, the Group has set up an ESG working taskforce (the "Taskforce") composed of staff from relevant departments. The Taskforce is responsible for collecting relevant ESG data and compiling the ESG Report. The Taskforce periodically reports to the Board, assisting in the identification of the Group's ESG risk management and the evaluation of the implementation and effectiveness of internal control system. It also reviews the Group's ESG performance, including environmental, labour practices and other ESG aspects.

Scope of Reporting

Unless stated otherwise, this ESG Report covers the Group's business activities in Denmark and Hong Kong. The business operation of mink farming is located in Denmark, other fur businesses, securities, insurance brokerage and other financial services are mainly located in Hong Kong. The ESG key performance indicator ("KPI") data was gathered and included companies and subsidiaries that were under the Group's direct operational control. The Group will extend the scope of disclosures when and where applicable. The KPIs are shown in this ESG Report as well as supplemented by explanatory notes to establish benchmarks.

Reporting Framework

The ESG Report has been prepared in compliance with all applicable provisions set out in the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") contained in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange.

Information relating to the corporate governance practices of the Group has been set out in the Corporate Governance Report on pages 14 to 22 of this annual report.

Reporting Period

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 March 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement

The Group values its stakeholders and their feedback regarding its businesses and ESG aspects. In order to understand and address their key concerns, the Group has maintained close communication with its key stakeholders, including but not limited to the Stock Exchange, government and regulatory bodies, suppliers, investors and shareholders, customers, employees, as well as media, non-governmental organisations ("NGOs") and the community.

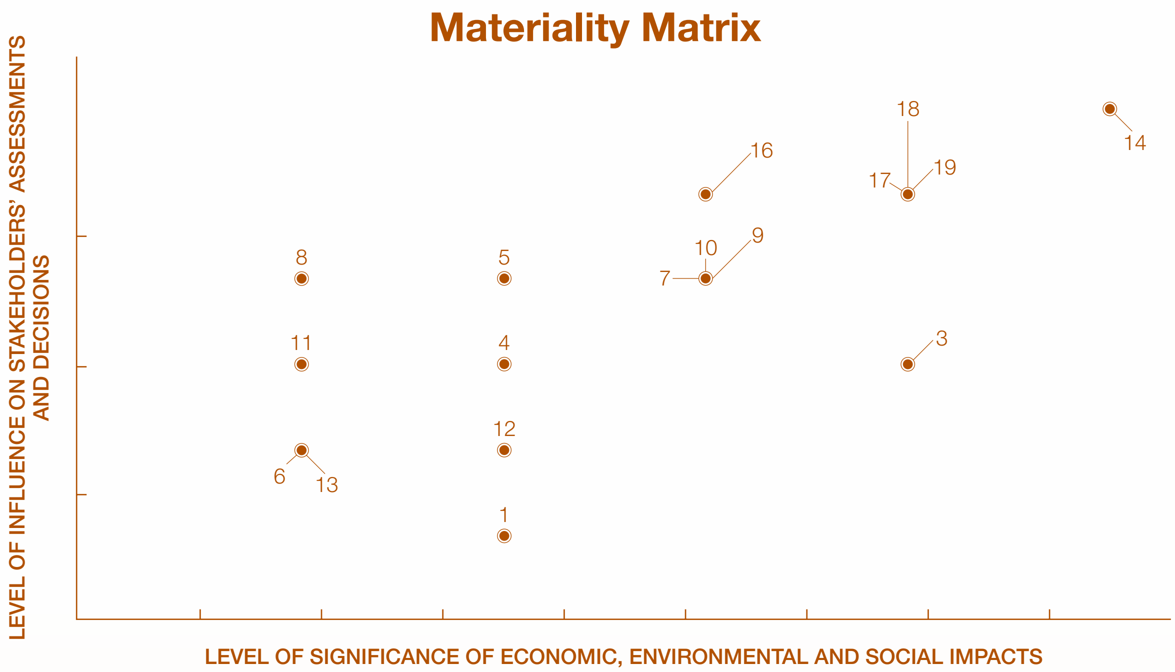
The Group takes stakeholders' expectations into consideration in formulating its businesses and ESG strategies by utilising diversified engagement methods and communication channels, shown as below:

Stakeholders	Concerned Issues	Communication Channel
The Stock Exchange	• Compliance of listing rules, timely and accurate announcements	• Meetings, trainings, roadshows, workshops, programs, website updates and announcements
Government and regulatory authorities	• Compliance with local laws and regulations	• Interaction and visits • Government inspections • Tax reporting
Suppliers	• On-time payment • Sustainable co-operation	• Site visits
Investors and Shareholders	• Performance • Development strategy • Operational prospects • Information and activities updates	• Seminars, interviews, shareholders' meetings, financial reports or operation reports for investors, media and analysts, annual general meeting, announcements and circulars
Customers	• Product quality • Product ethics • Service quality • Personal information protection	• Customer support hotline and email • Site visits • After-sales services
Employees	• Working environment • Employees' benefits • Career development • Company activities • Training opportunities	• Regular performance reviews, notice board and broadcast • Trainings, seminars and briefing sections • Intranet, conducting union activities and internal memorandum
Media, NGOs and the Community	• Corporate governance • Environmental protection • Green operation • Product ethics • Animal rights and maintaining biodiversity • Corporate social responsibility	• Press releases and newsletters • Reports and announcements

The Group aims to collaborate with its stakeholders to improve its ESG performance and create greater value for the wider community on a continuous basis.

Materiality Assessment

The Groups has compiled a questionnaire according to the identified material ESG aspects and has asked various groups of stakeholders to complete the said questionnaire in order to fully reflect different stakeholders' opinions. The result of the questionnaire is shown in the materiality matrix is shown below:



Environmental

1. Air Emissions
2. Greenhouse Gas Emissions
3. Waste Management
4. Water Consumption
5. Energy Efficiency
6. Indoor Air Quality
7. Protection of Biodiversity and the Nature

Social

8. Talent Retention
9. Recruitment, Diversity and Equal Opportunities
10. Health and Safety
11. Training and Development Management
12. Prevention of Child and Forced Labour
13. Supply Chain Management
14. Customer Service and Privacy
15. Customer Privacy Protection
16. Animal Welfare
17. Anti-corruption
18. Anti-money Laundering and Counter-financing of Terrorism
19. Whistle-blowing Mechanism

Contact Us

The Group welcomes stakeholders to provide their opinions and suggestions. You can provide your valuable advice in respect of the ESG Report or the Group's performances in sustainable development via email at admin@kkgroup.com.hk.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. Environmental

A1. Emissions

General Disclosure and KPIs

The Group is fully aware of its responsibilities towards the potential direct and indirect negative environmental impacts associated with its business operations. The Group strives to integrate environmental sustainability into its business operations and minimise its impacts on the environment.

By integrating environmental consideration into the decision-making process, the Group recognises its responsibilities in creating a sustainable business. This is achieved through innovating and implementing measures that reduce energy consumption, waste reduction and any other green initiatives. The Group is also committed to educating its employees to raise their awareness on environmental protection and complying with the relevant environmental laws and regulations.

In the long run, the Group will enhance its energy saving management in minimising the usage of lighting, air conditioning and electronic appliances and track its energy consumption regularly in the coming years. In Denmark, the Group will also strive to fully utilise the capacity of feed wagons, in order to reduce any unnecessary air emissions in the coming years.

Within the policy framework, the Group continuously looks for different opportunities to pursue environmentally friendly initiatives, enhance its environmental performance by reducing the use of energy and other resources.

During the year ended 31 March 2020, the Group strictly complied with local environmental laws and regulations and was not aware of any material non-compliance with laws and regulations that would have a significant impact on the Group including but not limited to, Air Pollution Control Ordinance, Waste Disposal Ordinance and Water Pollution Control Ordinance of Hong Kong and Environmental Protection Act of Denmark.

Air Emissions

Due to the Group's business nature, the Group did not generate significant amount of exhaust gas emissions directly during its operations. The Group did not own any motor vehicles.

The Group understands the importance of conserving natural resources and reducing the dependence on diesel fuel. The number of farms operated in Denmark by the Group has reduced during the year ended 31 March 2020. Due to a reduction of operating farms, the usage of feeding wagons has also reduced, leading to a decrease in fuel usage. Measures on controlling air emissions will be provided in the following section — "GHG Emissions"

GHG Emissions

The principal GHG emissions of the Group were generated from the diesel consumed by feeding wagons in the farms in Denmark (Scope 1), purchased electricity (Scope 2) and other indirect GHG emissions (Scope 3). The Group actively adopts electricity conservation and energy saving measures as well as other measures to reduce GHG emissions, including:

- Switch off the engine of the feeding wagons when not in use;
- Measures for environmental protection, energy conservation, and water saving, relevant measures are described in "Energy Consumption" and "Water Consumption" under Section A2; and
- Paper saving measures in offices, relevant measures are described in the section "Waste Management".

Nevertheless, the Group still focuses on nurturing and strengthening the employees' awareness of environmental protection in their daily work processes, and actively implements the Group's environmental protection measures, with an aim to lowering the GHG emissions. Through the implementation of the above-mentioned measures, the awareness of environmental protection of employees was raised.

During the year ended 31 March 2020, the total GHG emissions in the scope of direct, indirect and other indirect GHG emissions by the Group and the intensity are as follows:

Summary of GHG emissions performance:

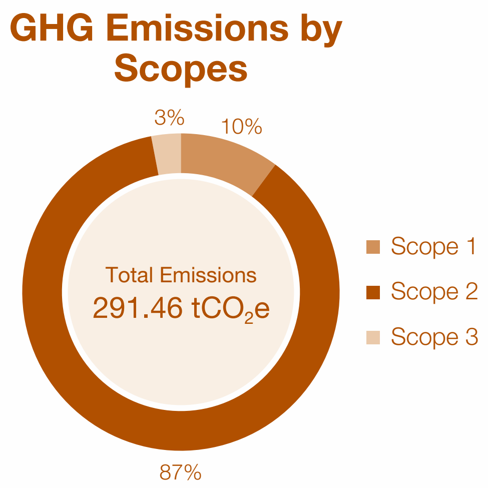
Indicator[1]	**Unit**	**For the year ended 31 March 2020**
Direct GHG Emissions (Scope 1)	tCO_2e	29.58
• Diesel consumption		
Indirect GHG Emissions (Scope 2)	tCO_2e	253.10
• Purchased electricity		
Other Indirect GHG Emissions (Scope 3)	tCO_2e	8.78
• Business air travel		
• Paper waste disposal at landfills		
Total GHG emissions	**tCO_2e**	**291.46**
Intensity	**tCO_2e/employee**	**3.64**

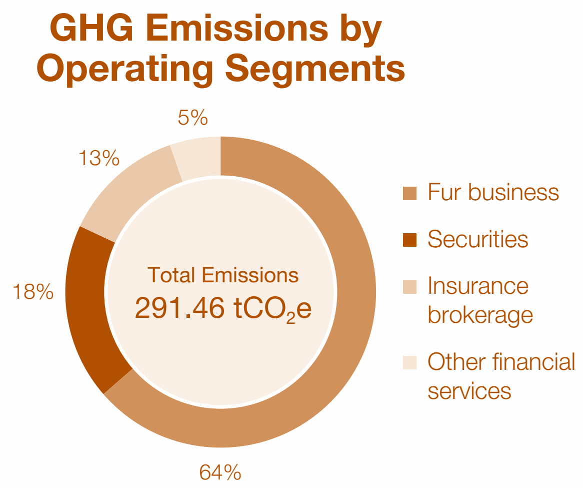
Remark:

1. GHG emission data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report — Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5), Sustainability Report 2019 published by the CLP Power Hong Kong Limited, HK Electric Investments Sustainability Report 2019 published by the HK Electric and Energy Statistics 2018 published by Danish Energy Agency.

2. As at 31 March 2020, the Group had a total of 80 staff members including Directors. The data is also used for calculating other intensity data.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT





Sewage Discharges into Water and Land

Due to the Group's business nature, the discharges into land was insignificant. The Group regularly monitors the wastewater discharge from farms in order to comply with relevant laws and regulations to meet local government sewage discharge standards. The wastewater will be discharged into the urban sewage pipe network after being purified by the underground sewage treatment device. Wastewater discharge was deemed to be the same as water usage. Data on water consumption and water-saving measures will be described in Aspect A2 – Water Consumption.

Waste Management

Hazardous waste management

Due to the Group's business nature, no material hazardous waste has been generated by the Group during the year ended 31 March 2020.

As the business of the Group does not involve in any slaughtering process of minks, or any business activities that would lead to the generation of hazardous wastes, therefore the Group did not generate any hazardous wastes during the year ended 31 March 2020.

Though the Group did not generate hazardous wastes, the Group has nevertheless established guidelines in governing the management and disposal of hazardous wastes. In the event that hazardous wastes are produced, the Group will engage a qualified chemical waste collector pursuant to the relevant environmental laws and regulations.

Non-hazardous waste management

The Group has set up relevant environmental policies, emphasising carbon reduction and waste reduction with the principle of "Reduce, Reuse and Recycle" to promote better utilisation of environmental resources. The Group is committed to promoting an environmentally friendly mindset among its employees.

With the aim of minimising the environmental impact of generating non-hazardous wastes from its business operations, the Group has implemented measures to handle such wastes and launched different reduction initiatives.

Assigned employees in the workplace are collectively responsible for waste management matters in the Group's offices in Hong Kong, with reference to the established environmental policies, including but not limited to the following:

- Utilising electronic communication where applicable such as e-leave system, e-cards for festival greetings, medical e-claims and e-brochures for distributing to customers;
- Promoting upcycling, recycling and the use of recycled paper and toner or environmentally friendly materials;
- Sorting recycled waste into appropriate receptacles, educating employees on sorting methods if needed; and
- Placing appropriate signage on walls and bins, stating what type of waste or recyclable should be placed in the bin.

The Group has also ascertained the following waste management measures of mink farming business in Denmark:

- Recycling manure as organic fertiliser for the farms;
- Recycling the packaging materials of the feeds; and
- Using by-products of fish which would otherwise be disposed of as feeds for the minks.

For waste management in Denmark mink farms, manure of the minks will be cleared regularly manually and disposed of to a concrete area which will then be treated. Since the amount of excrement was minimal, it was considered to be immaterial to the Group.

Through the implementation of the above-mentioned measures, employees' awareness of waste management has been increased.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the year ended 31 March 2020, the consumption volume regarding offices' wastes generated by the Group were as follows:

Category of waste	Unit	For the year ended 31 March 2020
Office paper	Tonnes	0.91
Total non-hazardous waste disposed	**Tonnes**	**0.91**
Intensity	**Tonnes/employee**	**0.01**

A2. Use of Resources

General Disclosure and KPIs

The Group continues with initiatives to introduce resource efficiency and eco-friendly measures to the Group's operations, and is committed to optimising the use of resources in all of its business operations.

The Group has established relevant policies and procedures in governing the efficient use of resources, in reference to the objective of achieving higher energy efficiency and reducing the unnecessary use of materials.

In order to enhance the Group's environmental governance practices and mitigate the environmental impact produced by the Group's operations, the Group has adopted and implemented relevant environmental policies and have communicated such policies to its employees. These policies have applied the waste management principles of "Reduce", "Reuse" and "Recycle" as well as emission mitigation principle, with an objective of minimising the adverse environmental impacts and ensuring the waste disposal or emission generated is conducted in an environmentally responsible manner.

Water Consumption

For the Group's financial services and fur trading business in Hong Kong, water consumption was mainly used for basic cleaning and sanitation. Water consumption data in different operations in Hong Kong was not available as the water usage was covered by the building management. The Group did not consider such water usage as disproportional. Nevertheless, the Group encourages all employees and customers to develop the habit of conserving water consciously. The Group has strengthened its water-saving promotion, posting water-saving slogans and guiding employees to use water reasonably.

As a result, the awareness of the employees in water conservation has increased. The Group strives to continuously improve its water conservation measures.

With regard to the water usage of the mink farms in Denmark, drinking water was supplied to the minks through water nipples. Water was also used to regularly clean the cages and farm area to maintain a hygienic and healthy environment for the minks. There was no issue in sourcing water that was fit for purpose in the farms.

Energy Consumption

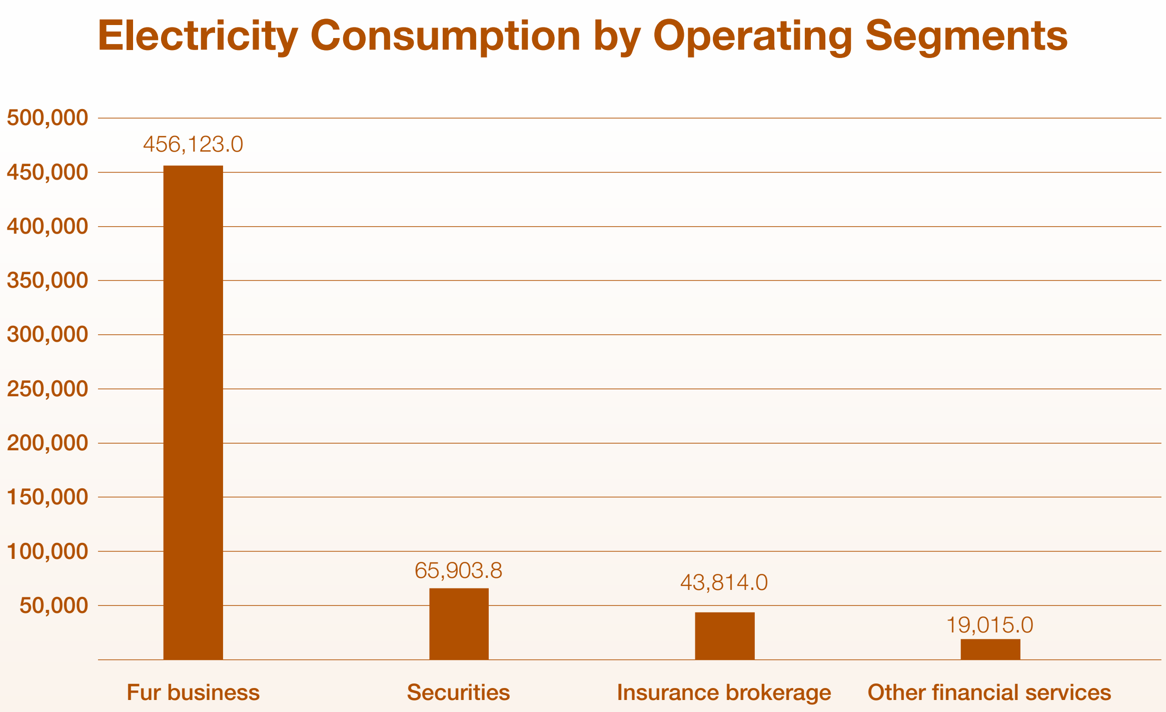
The major energy consumption of the Group in daily operation was electricity consumption in the operations and diesel consumption by the feeding wagons used to feed the minks.

During the year ended 31 March 2020, the Group's consumption in diesel and electricity were as follows:

Type of energy	**Unit**	**For the year ended 31 March 2020**
Diesel[3]	kWh	121,010.77
Purchased electricity	kWh	584,855.80
Total energy consumption	**kWh**	**705,866.57**
Intensity	**kWh/employee**	**8,823.33**

Note:

3. For the year ended 31 March 2020, the actual diesel consumption was approximately 11,306 litres.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the year ended 31 March 2020, the Group has adopted the following energy-saving measures:

- Operate lighting control systems based on actual need;
- Use higher energy-efficiency office equipment in the workplace;
- Encourage employees to utilise teleconferences and video conferences to reduce air and GHG emissions;
- Post green messages on the information portal and message board to remind colleagues of the importance of energy conservation;
- Use natural sunlight instead of artificial lighting during daytime in the farms; and
- Switch off the engine when the feeding wagons are idling.

Through the implementation of the above-mentioned energy-saving measures, employees' awareness of energy conservation has been raised.

Use of Packaging Material

The Group did not have any industrial productions or factory facilities; the use of packaging material was insignificant and therefore was immaterial to the Group.

A3. The Environment and Natural Resources

General Disclosure and KPIs

The Group's approach to fur farming is extremely respectful of the environment. The entire mink is used, remains are converted into bio-diesel and bone meal are used to generate energy. The feeds of the minks are by-products from fish and meat industries which would otherwise be disposed of. The Group had put tremendous effort into conserving the natural resources in the process of mink farming and endeavours to create a sustainable production chain.

The fur trading and securities businesses of the Group has a remote impact on the environment and natural resources. Nevertheless, as an ongoing commitment to good corporate social responsibility, the Group recognises its responsibility in minimising the negative environmental impact arising from its business operations.

The Group works tirelessly to mitigate the environmental impact of its activities through adopting industry best practices targeted at reducing natural resources consumption and effective emission management. The Group regularly assesses the environmental risks of its businesses, and adopt preventive measures as necessary to reduce the risks and ensure the compliance of relevant laws and regulations.

Protection of Biodiversity and The Nature

During the procurement process, the Group widely procures minks with different colours and sex. The Group only selects reputable mink suppliers who have a transparent background of cultivation to ensure that minks are not sourced from an untraceable and questionable source or are not a result of poaching activity.

Indoor Air Quality

Indoor air quality in the workplace is regularly monitored and measured. By utilising air purifying equipment in the workplace and conducting regular cleaning of the air conditioning system, these measures resulted in maintaining indoor air quality at a satisfactory level.

B. Social

B1. Employment

General Disclosure

The Group considers that employees are the most valuable resource and believes that they are the Group's greatest asset. Employees' expertise, capability, loyalty and contribution are the most essential elements to the success of the Group. In this regard, the Group wishes to retain its employees by providing a caring, safe, and positive working environment. The Group has established the Employee Handbook which covers recruitment, compensation, promotion, working hours and rest periods, diversity and equal opportunity, etc. The Group periodically reviews these policies and employment practices to ensure continuous improvement of its employment standards and competitiveness against companies of the same industry.

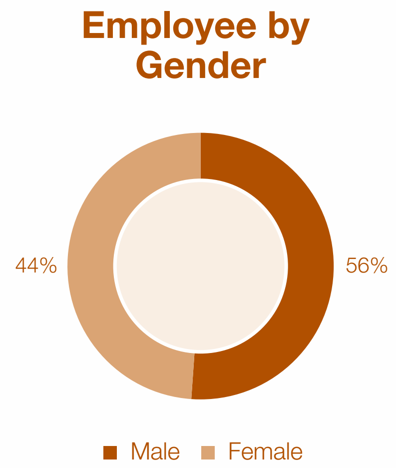
The Group strictly complies with the Employment Ordinance, Employment of Children Regulations, Employment of Young Persons (Industry) Regulations, and other related regulations by the Labour Department. The Group also complies with the Mandatory Provident Fund Schemes Ordinance and laws by Inland Revenue Department ("IRD"). All employees hired by the Group in Hong Kong are covered by insurances. The Group files the latest enrolment and exit records to Mandatory Provident Fund Schemes ("MPF") trustee and IRD on a timely basis.

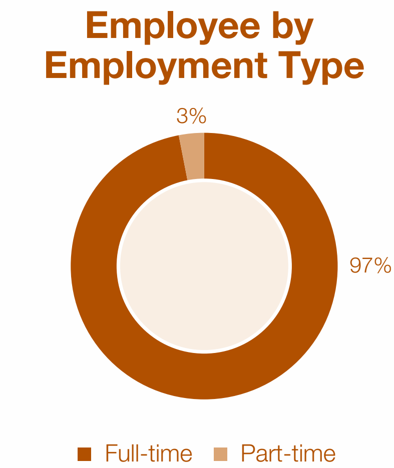
In addition, the Group also abides by the Danish Salaried Employees Act and other related labour regulations in Denmark. The Group also contributes pensions to all employees in Denmark as stipulated in the relevant regulations. During the year ended 31 March 2020, the Group was not aware of any material non-compliance with the above-mentioned employment-related laws and regulations that would have a significant impact on the Group.

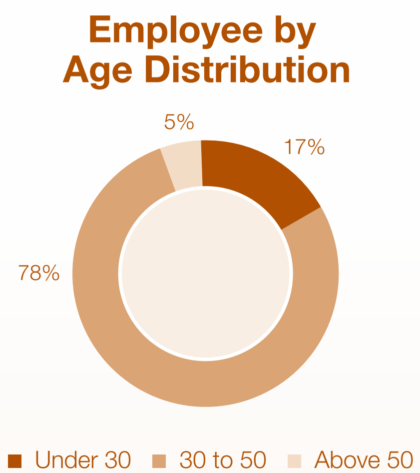
As at 31 March 2020, the Group had 80 employees, 80% and 20% of its employees are located in Hong Kong and Denmark respectively.

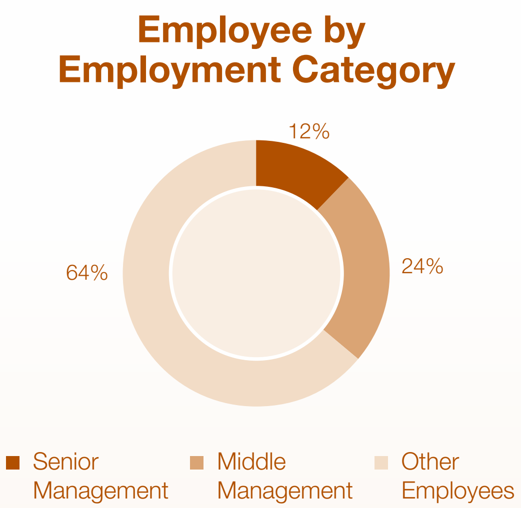
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Total workforce by gender, employment type, age distribution, and employment category are as follows:









Employee turnover rate by gender, age group and geographical region are as follows:

	Turnover Rate
Gender	
Male	11.9%
Female	10.6%
Age Group	
Under 30 years old	4.0%
30-50 years old	17.2%
Over 50 years old	1.3%
Geographical Region	
Hong Kong	21.2%
Denmark	1.3%

Talent Retention

The Group wishes to create a warm and welcoming workplace for its employees. In addition to the entitlement of leaves stipulated in relevant laws and regulations in Hong Kong and Denmark, the Group also provides attractive remuneration packages to its employees including medical insurance scheme, compassionate leave, marriage leave, examination leave, annual leave and discretionary bonus. Permanent full-time employees are eligible to join the rental reimbursement program.

Promotion Opportunities

Promotion opportunities of the Group's employees are reviewed regularly. The Group has established objective performance indicators for annual performance evaluation. The supervisor will discuss the work performance with employees in facilitating an effective two-way communication for advancement. Where possible, employees are permitted to rotate within different departments of the Group and take up position in different operating segments to broaden their horizons.

Compensation and Dismissal

All employees are covered under the statutes of respective jurisdictions upon joining the Group. The said statutes provide protection to employees who sustain personal injury by accident or disease arising out of the course of employment.

For employees whose performance has yet to reach a satisfactory level, the Group would warn verbally before issuing a warning letter. The Group would only consider dismissal after exhausting other alternatives. The Group strictly prohibits any kind of unfair or illegitimate dismissals. Any appointment, promotion or termination of recruitment contract should be based on reasonable, lawful grounds and internal policies, such as Employee Handbook.

Recruitment, Diversity, Equal Opportunity

The Group recognises the value of a diverse and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture in which all can thrive. The Group applies a transparent recruitment procedure and ensures that all candidates are offered equal opportunity, regardless of their gender, race, age or any other demographic characteristics.

The Group is dedicated to providing equal opportunity in all aspects of employment and maintaining a workplace that are free from discrimination, physical or verbal harassment against any individual on the basis of race, religion, colour, gender, physical or mental disability, age, place of origin, marital status and sexual orientation. The Group also has zero tolerance for any form of harassment including comments, innuendo or jokes relating to race, status, sex, uninvited physical contact, offensive or threatening communication.

Employees could resort to the Human Resources Department in case of any harassment or discrimination, the Department Head will give advice on dealing with the situation and investigation may be carried out.

The Group strives to ensure that complaints, grievances and concerns are dealt with promptly and confidentially. Appropriate disciplinary actions that ranging apology, warning, or summary dismissal will be taken if the case is later substantiated.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Working Hours and Rest Periods

The Group has formulated policies in determining the working hours and rest periods for employees following local employment laws.

Work-life Balance

The Group recognises the importance of maintaining a healthy lifestyle and work-life balance of its employees. To achieve a work-life balance, the Group does not encourage employees to work overtime.

The Group also actively engages its employees through employee bonding, outing, volunteering activities and charity events. The Group has conducted the following to organise work-life balancing activities for employees:

- Christmas party;
- Lunar New Year gathering;
- Birthday celebration parties; and
- Early leave on festivals.

Image 1: Christmas party
Image 2: Employees participating in the AIA PD Cup 2020
Image 3: Employees participating in the KKWM X KPC VIP Night 2020

B2. Health and Safety

General Disclosure

Operational Health and Safety Management

The Group is committed to preventing work-related accidents, injuries and illnesses and providing and maintaining a safe and healthy environment for all its employees, contractors, customers and others who visit or work on the Group's premises. The Group is of firm belief that employees are the Group's most valuable asset and regards human resources as its corporate wealth.

The Group follows the occupational health and safety guidelines recommended by Danish Working Environment Agency, Labour Department and Occupational Safety and Health Council, and regularly encourages employees to attend related workshops or training courses. The Human Resources Department also takes responsibility to ensure health and safety in the workplace.

Safety Measures

The Group is responsible for monitoring and reviewing the safety and security management periodically. To safeguard the health and safety awareness of its staff, guidance was given on fire precaution to reduce the risk of fire and evacuation in case of emergency. A detailed escape route and layout of the offices were posted in a noticeable area to prepare employees for the emergency. The offices were also equipped with adequate firefighting equipment in case of fire. The Group also conducts regular fire inspection to prevent blockage of the escape route and ensure equipment were in perfect shape.

The Group considers that a comfortable working environment is crucial to maintaining employees' health mentally and physically. Proper lighting and ventilation are ensured; first aid boxes are available at easily accessible locations. The Human Resources Department is responsible for ensuring that the supplies inside the first aid boxes have not expired and remain functional.

For mink farming, the employees are reminded to operate the feeding wagon with great caution. The feeding wagon is also required to be serviced regularly to ensure optimal performance.

Response to COVID-19 Outbreak

Due to the COVID-19 outbreak, the Group is cautious of safeguarding the health and safety of its employees. To reduce the risk of human-to-human transmission, a work-from-home arrangement has been arranged. Employees are also reminded to maintain personal hygiene and are required to take their temperature before entering the Group's premise. Apart from caring for its employees, the Group places strong emphasis on ensuring that the economically disadvantaged will not put at risk. Description of the charitable event can be found in "Aspect B8 — Community Investment".

During the year ended 31 March 2020, no work-related fatalities or lost days due to work injury were reported. In addition, the Group was not aware of any material non-compliance with health and safety-related laws and regulations including but not limited to Danish Health Act, Occupational Safety and Health Ordinance, Employees Compensation Ordinance of Hong Kong that would have a significant impact on the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B3. Development and Training

General Disclosure

Development and Training

The Group recognises the valuable contribution its talents make to the continued success of the Group and therefore is committed to inspiring our human capital towards delivering excellence. This is achieved through the development of training strategy that focuses on creating values and serving the needs of the Group's customers, talents and society.

Training and Development Management

The Group understands that training and development management is indispensable to its staff to keep abreast of the latest trend in the finance industry and the dynamic pace in the current domestic market. In light of this, the Group holds regular training, development programmes and training sponsorship. During the year ended 31 March 2020, the Group has organised basic financial practice training courses and advanced financial practice training courses. In addition, new joiners of the Group will undergo an induction training to familiarise themselves with the working environment.

Image 4: Employees of Kingkey Privilege Wealth Management Limited ("KKWM") successfully completed the advanced financial practice training course
Image 5: The Group held the China Family Legacy Forum(「中國家族傳承論壇」)
Image 6: KKWM held the 2nd Advisory Meeting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B4. Labour Standards

General Disclosure

Prevention of Child and Forced Labour

Child and forced labour are strictly prohibited under the relevant laws and regulations of both Hong Kong and Denmark. Personal data are collected during the process to assist in the selection of suitable candidates and to verify candidates' personal data. The Human Resources Department also ensures identity documents are carefully checked. If violation is involved, it will be dealt with in the light of the circumstances as clearly stated in the Employee Handbook.

During the year ended 31 March 2020, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations, including but not limited to Employment Ordinance of Hong Kong and Children Act of Denmark that would have a significant impact on the Group.

B5. Supply Chain Management

General Disclosure

Supply Chain Management

For the securities brokerage and other financial businesses, the Group offers financial planning and consultancy, wealth succession and trust planning, insurance and risk management, fund management, funds, bonds and stocks trading services, and credit and lending services for individual and corporate investors. Among these services, no suppliers were involved.

For the fur trading business, the Group takes serious concern in monitoring the workflow of the entire supply chain to ensure that there is no non-compliance issues in both Hong Kong and Denmark. Animal rights and ethical issues are two of the most important consideration factors when selecting suppliers. The Group only selects reputable mink suppliers who refrain from sourcing minks of untraceable and questionable sources. The Group periodically evaluates and monitors the performance of its suppliers to ensure their compliance with service standards, contract conditions, and quality provisions. Should services fall below the agreed standard, the cooperation will be terminated.

The Group also strictly abides by the Code of Practice for the Care and Health of Farmed Mink, Fitch and Fox in Europe issued by the European Fur Breeders' Association and relevant Danish legislative provisions. The Group places great emphasis on the killing method adopted by the slaughterhouse and the auction house. Should there be any reported cases of mistreatment or unethical killing, partnership will be terminated immediately. Apart from the government inspection, the European Fur Breeders' Association conducts biannual inspection at the farms.

Besides abiding by the laws and regulations on animal welfare in Denmark, the Group is also in compliance with the Protection of Endangered Species of Animals and Plants Ordinance of Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B6. Product Responsibility

General Disclosure

The Group has in place an extensive quality assurance process to ensure that the products and services are in compliance with relevant local laws and regulations. The Group regularly reviews and updates its quality control standards to comply with the latest laws and regulations. For the mink farming business, farms have already obtained relevant permits required.

The Group is pleased to announce that during the year ended 31 March 2020, there were no product and service-related complaints received. In the future, the Group will strive to continuously improve the quality of products and services.

Complaint Channel

Customers' feedback and opinions are exceptionally valuable to the sustainable development of the Group, they also provide the Group with insight and motivation to improve. The Group actively listens to and responds promptly to the feedback shared by its customers. If the Group receives any complaints, the Group's compliance officer will investigate the complaint and subsequently submit a report to the management for review; appropriate actions will be taken. The Group commits to responding to enquiries in a timely manner and ensures that the complaints are handled properly.

During the year ended 31 March 2020, the Group did not receive any products and service-related complaints.

Animal Welfare

The Group attaches great high importance to ensuring animal welfare, animal health and the quality of fur products. The Group's mink farms in Denmark complies with the Recommendation Concerning Fur Animals proposed by Council of Europe, Human Rights and Legal Affairs. The regulation stipulates that the farms should maintain good husbandry and stockmanship by maintaining a good environment to keep the stocks healthy and provide for the fulfilment of their biological needs. The stockman would inspect the cages at least once a day to monitor the health of the minks. The nest box was designed to give sufficient floor area for the minks to make sure they have adequate freedom of movement, physical comfort and adequate opportunity for grooming, eating, drinking, territorial marking and social contact. A single adult animal would have free area of 2,550 cm^2 while juvenile would enjoy the same area of space after weaning up. The height of the cages is also sufficient to allow the minks to rear on their hind legs. Straws and water are provided regularly to ensure adequacy especially in winter and infantry stage. Annual statutory veterinarian visits will be paid by the Danish government to inspect and monitor health and welfare issues of the farms.

Protection of Data Privacy

The Group respects the values and rights of customers' information assets and recognises that the protection of customers' and partners' privacy is of paramount importance. The Group strictly complies with the customers' information security management systems and standards, this is achieved by establishing security measures to provide adequate protection and encryption for data and information upon operation. Employees have proper knowledge and support with regard to data privacy protection. These are supported by the policies for the collection and use of personal data of the Group.

Customer Service

Feedbacks from customers are welcomed as it is the key to enhancing the Group's service. The Group reviews all complaints from customers, suppliers and partners in accordance with internal procedures and guidelines. Procedures for handling feedbacks or complaints have been set up, they are recorded in detail and appropriate follow-up actions will be taken. Should the feedback bear significant weight to the improvement of the Group, the feedback or complaint will be considered as a case study to prevent re-occurrence.

Advertising and Labelling

Given the Group's business nature, the advertising and labelling issues and its related risks are considered to be immaterial to the Group.

During the year ended 31 March 2020, the Group was not aware of any material non-compliance with relevant laws and regulations, including but not limited to the Personal Data (Privacy) Ordinance of Hong Kong and Danish Data Protection Act, that would have a significant impact on the Group, concerning advertising, labelling and privacy matters relating to products and services provided.

B7. Anti-corruption

General Disclosure

Anti-corruption Framework

The Group asserts its zero-tolerance stance regarding any behaviours that not only violate local laws and regulations but also severely tarnish the Group's reputation. The Group values and upholds integrity, honesty and fairness in how it conducts business. A policy on the Group's anti-corruption framework is present, where it states that the Group prohibits the solicitation, acceptance or offer of any advantages by employees from or to any parties.

Anti-money Laundering and Counter-terrorist Financing

The Group has established the Anti-money Laundering and Counter-terrorist Financing Policies and Procedures to help combat any anti-money laundering activities. The policy provides guidelines to all employees and financial advisors on how to identify money laundering cases and the procedures on undergoing customer due diligence check. Employees should directly report the case to the Department Head or higher management once they devised any suspicious cases of money laundering.

During the year ended 31 March 2020, there were no concluded legal cases regarding corrupt practices brought against the Group or its employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Whistle-blowing Mechanism

To further achieve and maintain the highest standards of openness, probity and accountability, the Group has also implemented a whistle-blowing policy. This policy allows all employees of the Group to report any possible fraud, deception, theft, forgery, corruption or any illegal activities to the Human Resources Department and management anonymously. Reports and complaints received will be handled in a prompt and fair manner. Any person who is found to retaliate against those who have raised concerns under this policy will be subjected to disciplinary sanctions.

During the year ended 31 March 2020, the Group was not aware of any material non-compliance with the relevant laws and regulations related to bribery, extortion, fraud and money laundering, including but not limited to Prevention of Bribery Ordinance of Hong Kong and Danish Criminal Code.

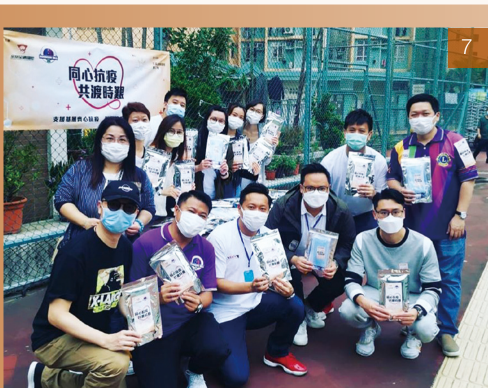
B8. Community Investment

General Disclosure

The Group is committed to giving back to the community in which it operates in and strives to act continuously for the betterment of the community. Therefore, the Group not only proactively participates in voluntary activities but also encourages its employees to engage in community services and voluntary activities.

The Group has always been sensitive to the needs of the underprivileged and would carefully select its voluntary service or donation partners every year. By doing so, the resources can be effectively allocated to the groups that are in dire need of assistance. In light of the outbreak of COVID-19, the Group considered that the donation of anti-epidemic care packs would be of the highest relevance to the most vulnerable members of the society. Therefore, the Group purchased face masks and other sanitising products and the Group's employees packaged the care packs. In March 2020, the Group partnered with Lions Club of Hong Kong Morrison Hill to donate 500 care packs to the underprivileged.

Image 7: Employees of KKWM prepared and packaged anti-epidemic care packs
Image 8: Employees of KKWM ready to give out anti-epidemic care packs to the underprivileged



In May 2019, KKWM was awarded the Caring Company Award by the Hong Kong Council of Social Service, fully reflecting that the subsidiary has incorporated element of social concern and environmental protection in their business operation and worked towards alleviating social problems. In March 2020, KKWM was invited as a participating merchant to the 8th Hong Kong Outstanding Volunteer Award Ceremony. Ms. Ching, Chief Operating Officer of KKWM, received the Certificate of Appreciation on behalf of KKWM at the ceremony.

Image 9: KKWM was awarded the Certificate of Appreciation
Image 10: KKWM was awarded the Certificate of Appreciation

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The ESG Reporting Guide Content Index of The Stock Exchange of Hong Kong Limited

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1 ("comply or explain")	The types of emissions and respective emissions data.	Emissions — Air Emissions Not applicable — Explained
KPI A1.2 ("comply or explain")	GHG emissions in total (in tonnes) and intensity.	Emissions — GHG Emissions
KPI A1.3 ("comply or explain")	Total hazardous waste produced (in tonnes) and intensity.	Emissions — Waste Management Not applicable — Explained
KPI A1.4 ("comply or explain")	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions — Waste Management
KPI A1.5 ("comply or explain")	Description of reduction initiatives and results achieved.	Emissions — Air Emissions, GHG Emissions
KPI A1.6 ("comply or explain")	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions — Waste Management

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1 ("comply or explain")	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources — Energy Consumption
KPI A2.2 ("comply or explain")	Water consumption in total and intensity.	Use of Resources — Water Consumption
KPI A2.3 ("comply or explain")	Description of energy use efficiency initiatives and results achieved.	Use of Resources — Energy Consumption
KPI A2.4 ("comply or explain")	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources — Water Consumption
KPI A2.5 ("comply or explain")	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources — Use of Packaging Material Not applicable — Explained
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1 ("comply or explain")	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources — Protection of Biodiversity and The Nature, Indoor Air Quality

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
KPI B1.1 (Recommended Disclosures)	Total workforce by gender, employment type, age group and geographical region.	Employment
KPI B1.2 (Recommended Disclosures)	Employee turnover rate by gender, age group and geographical region.	Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1 (Recommended Disclosures)	Number and rate of work-related fatalities.	Health and Safety
KPI B2.2 (Recommended Disclosures)	Lost days due to work injury.	Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1 (Recommended Disclosures)	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product and Service Responsibility
KPI B6.2 (Recommended Disclosures)	Number of products and service related complaints received and how they are dealt with.	Product and Service Responsibility

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1 (Recommended Disclosures)	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1 (Recommended Disclosures)	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2 (Recommended Disclosures)	Resources contributed (e.g. money or time) to the focus area.	Community Investment

REPORT OF THE DIRECTORS

The Directors are pleased to present their annual report together with the consolidated financial statements of the Company for the year ended 31 March 2020.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 44 to the consolidated financial statements.

Segmental Information

The Group's segment information and revenue for the year ended 31 March 2020 are set out in Note 6 to the consolidated financial statements.

Business Review

A review of the business of the Group during the year are provided in the section headed "Business Review" on pages 3 to 5 of this annual report. An analysis of the Group's performance during the year using key financial performance indicators are provided in the section headed "Financial Review" on pages 6 to 10 of this annual report.

Principal Risks and Uncertainties

The Group's for business risks are mainly (i) global economic condition that influences the fur skin price and demand of luxurious goods; (ii) currency risks; and (iii) customer's appetite on mink and fur. The plunge in fur skin price, which has brought an adverse impact on all business areas of the Group for the period under review is expected to pose uncertainty on the performance of the Group's fur business. For securities and other financial services businesses, insurance brokerage and money lending, they are subject to the sentiment and conditions of the equity markets in Hong Kong as well as the compliance risk for licensees activities.

Contingent Liabilities

During the year ended 31 March 2020, there were no contingent liabilities noted by the Directors.

Environmental Policies and Performance

The Group has long considered environmental protection and energy conservation as one of its key priorities in order to enhance the sustainable development and raise its relative social responsibility to its stakeholders. For details, please refer to the section "Environmental, Social and Governance Report" set out in this annual report.

Compliance with Relevant Laws and Regulations

During the year ended 31 March 2020, the Board was not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the Group.

REPORT OF THE DIRECTORS

Relationships with Employees, Customers and Suppliers

The Company understands the importance of maintaining a good relationship with employees, customers and suppliers as they are the foundation of the Group's success.

Employees

The Company strictly complies with all the applicable rules and regulations in relation to employment, to name a few, the Labour Ordinance, Mandatory Provident Fund Ordinance and Personal Data (Privacy) Ordinance, etc. The Group has purchased all necessary insurance and made monthly contributions for its staff and has measures in place endeavoured to protect all staff's personal information. There are channels for staff to express their opinions with regard to their work. Moreover, the Group also strives to provide a safe, healthy and harmonious workplace with fair and equal opportunities for staff of both gender.

Customers

The Group highly values the relationship with its customers and has been emphasising the philosophy of fair dealing. As a result, it has won the loyalty of its customers and established a long-term relationship with them. The Group has, from time to time, sought feedbacks from its customers on the goods and services it provides with a view to improve its service quality continuously.

Suppliers

The Group has also established a long-term relationship and mutual trust with suppliers to ensure the quality and stability of supply of goods. Furthermore, the Company has measure in place for anti-bribery.

Results and Dividends

The results of the Group for the year ended 31 March 2020 and the financial position of the Company and of the Group as at that date are set out in the consolidated financial statements on pages 71 to 183. The Directors do not recommend the payment of final dividend for the year ended 31 March 2020 (2019: Nil).

Summary of Financial Information

A summary of the published results and assets and liabilities of the Group for the five financial years ended 31 March 2020, as extracted from the consolidated financial statements in the previous and current annual reports of the Company, is set out on page 184 of this annual report. This summary does not form part of the consolidated financial statements.

REPORT OF THE DIRECTORS

Prospects and Development

Hong Kong has been under siege by the trade dispute of China and the United States and the slowdown of China's economy. Although a first deal has already been sought to resolve the trade dispute, it is widely believed that it still has a long way to go before a full resolution is achieved, if any. In addition to the unexpected outbreak of the pandemic which has driven the world economy down the swirl, it is hard to have any company completely immuned from the impact. The only question is how serious it is affected. While the major source of income of the Group is from financial industry which is a highly sensitive to political and economic changes, we never underestimate the possible effect that these factors can threaten us. The sooner the pandemic dies down, the lesser the extent the Group is under threat. In this light, to prepare for the worst, we will fine tune our business strategy and leverage on our expertise to increase our market share in the midst of the trough of our competitors. Meanwhile, we will place more effort in broadening our clientele and diversifying our business geographically where possible to cushion the similar shock in the future.

The pandemic has hit hard the fur business, further shattering the foundation of this sector. As it drags most economies into recession, we expect this business will continue to suffer and do not expect that fur garments, which are luxury goods, will have good sales this winter. Given that the COVID-19 virus will not return this winter and no more international designers discontinue the use of fur in their collections, recovery is not impossible as our Danish mink is the highest quality of mink in the industry and demand will come back to us one day. Meanwhile, we have resumed sales in April 2020 auctions and will continue to keep the business to run at minimal cost to pull through this very difficult time.

Reserves

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 73 and Note 45 to the consolidated financial statements respectively.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

Share Capital and Share Options

Details of the Company's share capital and share options movements during the year are set out in Notes 35 and 38 to the consolidated financial statements respectively.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31 March 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REPORT OF THE DIRECTORS

Major Customers and Suppliers

The percentages of purchases and sales for the year ended 31 March 2020 attributable to the Group's major suppliers and customers are as follows:

	Approximate % to total revenue for the year ended 31 March 2020
Purchases	
— the largest supplier	24.4%
— the five largest suppliers combined	66.3%
Sales	
— the largest customer	36.9%
— the five largest customers combined	60.7%

None of the Directors, their associates or (to the best knowledge of the Directors) shareholders holding more than 5% of the Company's issued share capital had any beneficial interest in the Group's five largest customers or five largest suppliers.

Charitable Contributions

During the year, no charitable contribution was made by the Group (2019: HK$161,000).

Directors

The Directors during the year and up to the date of this annual report were:

Executive Directors

Mr. Wong Chun Chau *(Chairman)*
Ms. Kwok Yin Ning *(Chief Executive Officer)*

Independent Non-executive Directors

Ms. Mak Yun Chu
Mr. Hung Wai Che
Mr. Tang Tat Chi*
Mr. Leung Siu Kee#

Notes:

*: Mr. Tang Tat Chi retired on 16 August 2019

#: Mr. Leung Siu Kee was appointed on 16 August 2019

Pursuant to article 84(1) of the Company's Articles of Association, Mr. Wong Chun Chau and Ms. Kwok Yin Ning will retire by rotation at the forthcoming AGM and being eligible, offer themselves for re-election at the AGM.

Pursuant to article 83(3) of the Company's Articles of Association, Mr. Leung Siu Kee shall hold office until the forthcoming AGM and shall then be eligible for re-election at the AGM.

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company. Each of the independent non-executive Directors has signed an appointment letter with the Company for a period of three years. The term of office of all Directors is subject to (i) the termination pursuant to the terms of their respective service contract or appointment letter and (ii) the rotation, removal, vacation or termination of their offices as Directors or the disqualification to act as Directors as set out in the Company's Articles of Association, the applicable laws and the Listing Rules.

No Director proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Independence Confirmation

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and hence are independent.

Emoluments of Directors and Five Highest Paid Individuals

Details of the emoluments of the Directors and the five highest paid individuals of the Group during the year are set out in Note 11 to the consolidated financial statements.

Pension Schemes

Particulars of the Group's pension schemes are set out in Note 39 to the consolidated financial statements.

Management Contracts

As at 31 March 2020, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of any business of the Company.

Emolument Policy

In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis.

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement.

REPORT OF THE DIRECTORS

Directors' Interests in Transactions, Arrangements and Contracts

No transactions, arrangements and contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party, and in which a Director or his/her associates had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2020.

Directors' Interests in Competing Business

As far as the Directors are aware of, none of the Directors or the controlling shareholders of the Company has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the year ended 31 March 2020.

Connected Transactions

During the year ended 31 March 2020, the Group had the following continuing connected transaction which was disclosed in accordance with the requirements of Chapter 14A of the Listing Rules.

Licence Agreement entered into among UKF Management, Kingkey Enterprise and KK Culture

On 24 January 2019, UKF Management Limited ("UKF Management", now known as "Kingkey Management Limited") (as Licensee), a wholly-owned subsidiary of the Company, entered into a licensing agreement (the "Licence Agreement") with Kingkey Enterprise Hong Kong Limited ("Kingkey Enterprise") and KK Culture Holdings Limited ("KK Culture") (together as Licensors), where the Licensors agreed to lease certain areas of the office premises of 44/F, Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong to the Licensee for the period from 24 January 2019 to 15 May 2020 (both days inclusive), at a monthly rent of HK$580,000 (exclusive of Government rates, management fee and air-conditioning charges).

The annual caps of the said leasing for the Company for the year ended 31 March 2019 and years ending 31 March 2020 and 2021 are HK$1,700,000, HK$8,200,000 and HK$1,100,000 respectively.

For the year ended 31 March 2019 and 2020, the actual rental and other fee and charges under Licence Agreement (including management fee, air-conditioning, rates and utilities) paid by the Licensee amounted to HK$1,485,000 and HK$7,962,000 respectively.

The terms of the Licence Agreement were negotiated on an arm's length basis and the rental chargeable under the Licence Agreement was determined after taking into account the prevailing market rental rates as advised by an independent surveyor. The Directors (including the independent non-executive Directors) considered that the Licence Agreement was entered into in the ordinary and usual course of business of the Company, and its terms are on normal commercial terms and are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

At the time of entering into of the Licence Agreement, Mr. Chen Jiarong was the Controlling Shareholder of the Company holding approximately 72.87% interest in the Company through his 100% shareholding interest in Perfect Thinking Global Limited ("Perfect Thinking") prior to the transfer (the "18 September Transfer") of his entire interests in Perfect Thinking to his brother, Mr. Chen Jiajun on 18 September 2019 as announced by the Company on the same date.

In addition, based on published information on the Stock Exchange and as confirmed with Mr. Chen Jiajun, Mr. Chen Jiarong, who was a substantial shareholder of KK Culture and indirectly interested in approximately 21.28% through his 100% shareholding interest in Upsky Global Limited ("Upsky Global") transferred his entire interests in Upsky Global to Mr. Chen Jiajun on 19 June 2019 (the "19 June Transfer").

As (i) Kingkey Enterprise is wholly-owned by Mr. Chen Jiarong and it is an associate of Mr. Chen Jiajun; (ii) Mr. Chen Jiarong was the Controlling Shareholder of the Company and a substantial shareholder of KK Culture at the time of entering into the Licence Agreement and up to the date before, as the case may be, 18 September Transfer and 19 June Transfer; and (iii) Mr. Chen Jiajun, being brother of Mr. Chen Jiarong, has been the Controlling Shareholder of the Company since the 18 September Transfer and the substantial shareholder of KK Culture Company since the 19 June Transfer, both Kingkey Enterprise and KK Culture are connected persons of the Company and accordingly, the transactions contemplated thereby constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios calculated under the Listing Rules for the transactions contemplated under the Licence Agreement are less than 5%, such transactions are subject to reporting, annual review and announcement requirements but exempt from independent Shareholders' approval requirement pursuant to Rule 14A.76(2) of the Listing Rules.

For details, please refer to the announcement of the Company dated 24 January 2019.

As the Licence Agreement expired on 15 May 2020, subsequently on 15 June 2020, the Licensee entered into an updated licence agreement with the Licensors to extend the lease of the same premises for one more year for the period from 16 May 2020 to 15 May 2021 (both days inclusive) at a monthly rent of HK$62 per square feet (exclusive of Government rates, management fee and air-conditioning charges) and the Licensee was granted a first right of renewal upon the expiry of the updated licence agreement. The terms of the Licence Agreement were negotiated on an arm's length basis and the rental chargeable under the Licence Agreement was determined after taking into account the prevailing market rental rates. The Directors (including the independent non-executive Directors) considered that the Licence Agreement was entered into in the ordinary and usual course of business of the Company, and its terms are on normal commercial terms and are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

Kingkey Enterprise is an investment holding company incorporated in Hong Kong with limited liability and KK Culture is a company incorporated in Cayman Islands with limited liability and continued in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (stock code: 550).

Save as disclosed above, none of the related party transactions as disclosed in Note 40 to the consolidated financial statements for the year ended 31 March 2020 constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

REPORT OF THE DIRECTORS

The independent non-executive Directors have reviewed and confirmed that all the continuing connected transaction taken place during the year and up to the year ended 31 March 2020 was (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing the same on terms that are fair and reasonable and in the interests of the Company's shareholders as whole. Moreover, the Company's auditor has provided an unqualified letter to the Board containing their findings and conclusions in respect of the continuing connected transactions taken place during the year ended 31 March 2020 in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Acquisition of 49% total issue share capital of Kingkey Privilege Wealth Management Limited ("KKWM") and Affluent Range Limited ("Affluent Range")

On 9 January 2020 (after trading hours of the Stock Exchange), Noble Zenith International Limited, the wholly owned subsidiary of the Company (the "Purchaser"), entered into (i) the first agreement (the "First Agreement") with Jade Capital Investments Limited ("Jade Capital"), Innovest Group Limited ("Innovest") and Bright Skill Investments Limited ("Bright Skill") (collectively the "Vendors"), pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell 1,764,000 shares in KKWM ("First Sale Shares"), representing 49% of the total issued share capital of KKWM, at a total consideration of HK$3,430,000; and (ii) second agreement (the "Second Agreement") with the Vendors, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell 1,335,000 shares in Affluent Range (the "Second Sale Shares"), representing 49% of the total issued share capital of Affluent Range, at the total consideration of HK$3.

As at the date of signing the First Agreement, KKWM was owned as to (i) 24% by Jade Capital; (ii) 20% by Bright Skill; and (iii) 5% by Innovest. Therefore, each of Jade Capital and Bright Skill was the substantial shareholder of KKWM. Hence, each of Jade Capital and Bright Skill was a connected person of the Company at subsidiary level under the Listing Rules. Pursuant to the First Agreement, the total consideration payable for the First Sale Shares was the amount of HK$3,430,000 which was satisfied by the Purchaser's issue of the Promissory Notes.

As at the date of signing the Second Agreement, Affluent Range was owned as to (i) 24% by Jade Capital; (ii) 20% by Bright Skill; and (iii) 5% by Innovest. Therefore, each of Jade Capital and Bright Skill was the substantial shareholder of Affluent Range. Hence, each of Jade Capital and Bright Skill was a connected person of the Company at subsidiary level under the Listing Rules. Pursuant to the Second Agreement, the total consideration payable for the Second Sale Shares was the amount of HK$3 which was satisfied by the Purchaser in cash.

The Board believed that the abovementioned acquisitions would (i) allow the Company to gain full ownership in KKWM and Affluent Range; (ii) ensure effective implementation of the Company's growth strategies in its principal activities (i.e. wealth management and investment products consultancy); (iii) enable full consolidation of KKWM and Affluent Range at the Group level; (iv) enhance financial transparency to the Shareholders; and (v) eliminate any value leakage associated with a sizable minority interest otherwise held by the Vendors. Accordingly, the Board was of the view that the terms of each of the First Agreement and the Second Agreement were all on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

As one or more of the relevant percentage ratios (as defined under the Listing Rules) in respect of the abovementioned acquisitions, on an aggregated basis, exceeded 5% but all relevant percentage ratios were less than 25%, the acquisitions constituted a disclosable transaction for the Company under the Listing Rules and was subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. As at the date of signing the Agreements, each of KKWM and Affluent Range was owned as (i) to 24% by Jade Capital; (ii) 20% by Bright Skill; and (iii) 5% by Innovest, each of Jade Capital and Bright Skill was the substantial shareholder of KKWM and Affluent Range, respectively. Hence, each of Jade Capital and Bright Skill was a connected person of the Company at subsidiary level under the Listing Rules and the transactions contemplated hereunder constituted connected transactions which were only subject to the reporting and announcement requirements, but were exempted from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

For details, please refer to the announcement of the Company dated 9 January 2020.

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures

As at 31 March 2020, the following Directors or the chief executive of the Company had 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 Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under section 352 of the SFO; or (iii) had to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

(A) Interests in the Company — Long position in shares of the Company

Name	Nature of Interest	Number of Shares	Approximate percentage of shareholding in the Company (Note)
Mr. WONG, Chun Chau	Beneficial owner	70,698,240	1.50%
Ms. KWOK, Yin Ning	Beneficial owner	15,809,600	0.33%
Mr. LEUNG, Siu Kee	Beneficial owner	300,000	0.01%

Note: Such percentage was calculated against the number of issued shares of the Company as at 31 March 2020, being 4,849,629,735 shares.

Save as disclosed above, as at 31 March 2020, neither the Directors nor the chief executives of the Company had interests or short positions in the shares, underlying and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under section 352 of the SFO; or (iii) had to be notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

Substantial Shareholders

As at 31 March 2020, the following parties (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company, being 5% or made in the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

Long position in shares of the Company

Name	Nature of Interest	Number of Shares	Approximate percentage of shareholding in the Company (Note 3)
Excel Blaze Limited (Note 1)	Beneficial owner	325,150,000	6.70%
Kingkey Holdings (International) Limited (Note 2)	Beneficial owner	3,363,819,533	69.36%

Note:

1 Excel Blaze Limited is wholly and beneficially owned by Mr. Yan Kam Cheong.

2. Kingkey Holdings (International) Limited ("Kingkey Holdings") (formerly known as Perfect Thinking Global Limited) is wholly and beneficially owned by Mr. Chen Jiajun and Mr. Chen Jiajun is deemed to be interested in the Shares in which Kingkey Holdings is interested.

3. Such percentage was calculated against the number of issued shares of the Company as at 31 March 2020, being 4,849,629,735 shares.

Save as disclosed above, as at 31 March 2020, the Directors were not aware of any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

Directors' Rights to Acquire Shares or Debentures

Other than as disclosed under the sections "Share Option Schemes" and "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares or Debentures" above, at no time during the year ended 31 March 2020 was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO, or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate granted to any Director or his/her spouse or children under 18 years or age, or were any such rights exercised by them.

Share Option Schemes

The Company has adopted, on 1 August 2012, two share option schemes, namely the Pre-IPO Share Option Scheme and the Share Option Scheme, for the purpose of providing incentives to eligible employees (including Directors) and any advisers or consultants who contributes to the success of the Group. The Pre-IPO Share Option was terminated on 23 August 2012, being the day immediately preceding the date on which the Company's shares were listed on the Stock Exchange. No further options were and will be granted under the Pre-IPO Share Option Scheme after its termination.

The Directors have estimated the values of the share options granted, calculated by using the binomial option pricing model as at the date of grant of the options. The values of share options calculated are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.

The value of an option varies with different variables of certain subjective assumptions. Any changes to the variables used may materially affect the estimation of the fair value of an option.

The major terms of the Share Option Scheme, in conjunction with the requirements of Chapter 17 of the Listing Rules, are as follows:

1. The participants of the Share Option Scheme are employees and any advisers or consultants who at the sole discretion of the Board has contributed or is expected to contribute to the Group.

2. The purpose of the Share Option Scheme is to recognise and motivate the contribution of the participants and to provide incentives and help the Company in retaining its employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

3. The total number of the shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and all other share option schemes of the Company shall not exceed 10% of the total number of shares in issue as at the date immediately following completion of the placing on 24 August 2012, being 96,000,000 shares. The 10% limit may be refreshed with the approval by ordinary resolution of the shareholders.

   On 18 July 2014, the shareholders at annual general meeting resolved to refresh the 10% limit and the Company may grant further option carrying rights to subscribe for up to a total of 165,177,600 shares and such number of shares, representing approximately 4.22% of total number of issued shares of the Company as at the date of this report, are available for issue under the Share Option Scheme.

4. The maximum number of shares of the Company which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time.

REPORT OF THE DIRECTORS

5. No participant shall be granted a share option if the total number of the shares issued and to be issued upon exercise of the options granted to such participant (including exercised and outstanding options) in any 12 months period up to and including the date of grant would exceed 1% of the shares for the time being in issue unless the proposed grant has been approved by the shareholders in general meeting with the proposed grantee and his associates abstaining from voting.

6. A share option may be exercised in accordance with the terms of the Share Option Scheme at any time during such period as the Board may in its absolute discretion determine but such period must not exceed ten years from the date of grant of the relevant option.

7. The Share Option Scheme do not specify any minimum holding period but the Board has the authority to determine the minimum period for which an option in respect of some or all of the shares forming the subject of the options must be held before it can be exercised.

8. The acceptance of an offer of the grant of a share option must be made within 20 business days from the date of offer with a non-refundable payment of HK$1.00 from each grantee.

9. The exercise price of any particular share option under the Share Option Scheme shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case will not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a day on which the Stock Exchange is open for the trading of securities ("Trading Day"); (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant; and (iii) the nominal value of a share.

10. The Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from 1 August 2012 and will expire on 31 July 2022.

As at 31 March 2020, there was no outstanding share options under Pre-IPO Share Option Scheme and during the year ended 31 March 2020, no share options were granted, exercised, lapsed or cancelled under Pre-IPO Share Option Scheme.

On 26 October 2018, an extraordinary general meeting was held and a refreshment of scheme limit under the Share Option Scheme was approved to issue up to 461,548,973 options.

The following table sets out the change of number of share options outstanding under the Share Option Scheme during the year ended 31 March 2020:

Name or category of participant	As at 1 April 2019	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 March 2020	Date of grant of share options	Exercise price of share options HK$	Exercise period of share options
	Number of shares to be allotted and issued under share options							
Employees	100,800,000	–	–	–	100,800,000	20 September 2018	0.253	Note
	100,800,000	–	–	–	100,800,000			

Note: The above share options are exercisable 24 months commencing from the date of grant.

Saved as disclosed above, no share options were granted, exercised, leased or cancelled under the Share Option Scheme during the financial year.

Share Award Scheme

On 14 September 2018 (the "Adoption Date"), the Company has entered into a trust deed (the "Trust Deed") with Core Pacific-Yamaichi International (H.K.) Nominees Limited (the "Trustee") to set up a trust for the share award scheme (the "Scheme") and the Trustee will exercise its powers to purchase Shares to be held upon the Trust pursuant to the rules relating to the Scheme Rules and the Trust Deed. To the best of knowledge of the Directors, information and belief, after having made all reasonable enquiries, the Trustee and its ultimate beneficial owners are independent third parties of the Company and its connected persons under the definitions of Chapter 14 of the Listing Rules.

Pursuant to the terms of the Scheme, the remuneration committee of the Company ("Remuneration Committee") and the Board shall determine the number of Shares to be purchased by the Trustee out of cash paid by the Company by way of settlement to the Trustee (the "Awarded Shares") awarded by the Board to be awarded to the employees selected by the Remuneration Committee and the Board (the "Selected Employees"). Subject to the absolute discretion of the Board, the Awarded Shares (where the Board has determined such number pursuant to the terms of the Scheme) shall be acquired by the Trustee from open market by utilizing the Company's resources provided to the Trustee.

The Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules. No Shareholders' approval is required to adopt the Scheme.

REPORT OF THE DIRECTORS

The purposes of the Scheme are to recognise the contributions by the Selected Employees and give incentives to them in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Subject to any early termination as may be determined by the Board pursuant to the terms of the Scheme, the Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

The Remuneration Committee and the Board shall not make any further award of Shares which will result in the aggregate number of Shares awarded by the Board throughout the duration of the Scheme to be in excess of 5% of the issued share capital of the Company as at the Adoption Date. The maximum aggregate number of the Awarded Shares which may be awarded to a Selected Employee under the Scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date. As at the date of the Adoption Date, the number of issued Shares of the Company is 4,615,489,735 Shares.

Operation of the Scheme

The Remuneration Committee and the Board may, from time to time, at their absolute discretion select any Employees (excluding any Excluded Employee) to participate in the Scheme as a Selected Employee. Subject to the terms of the Scheme, the Remuneration Committee and the Board shall determine the number of Awarded Shares to be awarded to the Selected Employees. The Board is entitled to impose any conditions as they deem appropriate in their absolute discretion with respect to the vesting of the Awarded Shares on the Selected Employees. Where any grant of Awarded Shares is proposed to be made to connected persons of the Company, such grant of Awarded Shares has to be approved in advance by the independent non-executive Directors of the Company. The Company shall comply with the applicable provisions of Chapter 14A of the Listing Rules and such Connected Persons and their associates shall abstain from voting on the relevant general meeting in approving such grant of Awarded Shares. After the Board has approved any grant of Awarded Shares, the Board shall as soon as practicable inform the Trustee of, among others, (a) the identity of the relevant Selected Employee, and whether the Selected Employee is a Connected Person; (b) the number of Awarded Shares awarded to the relevant Selected Employee; (c) the Vesting Date; (d) conditions, restrictions or limitations (if any) accordingly; and (e) whether the Awarded Shares or any part thereof should be purchased.

Restrictions

No payment shall be made to the Trustee pursuant to the Scheme and no instructions to acquire Shares shall be given to the Trustee under the Scheme and the Trustee shall not sell the Awarded Shares for the relevant Selected Employees where: (a) any Director or the relevant Employee is in possession of any inside information (as defined in the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)) in relation to the Company; or (b) dealings by Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.

Vesting of Awarded Shares

The Trustee shall vest any Awarded Shares and Related Income held by the Trustee under the Trust to the Selected Employee on the Vesting Date determined at the discretion of the Board, provided that the Selected Employee remains an Employee of the Group at all times after the Reference Date up to the relevant Vesting Date.

No voting rights

A Selected Employee shall have no rights except contingent interest in respect of the Awarded Share until the Shares are vested in the Selected Employee pursuant to the Scheme. The Trustee shall not exercise any voting rights in respect of any Shares held under the Trust (including but not limited to the Awarded Shares, the Further Shares, the Returned Shares, any bonus Shares and scrip Shares).

For the year ended 31 March 2020, no shares were granted. As at 31 March 2020, the Company had no Awarded Shares outstanding.

Related Party Transactions

During the year ended 31 March 2020, the Group entered into certain related party transactions, details of which re set out in Note 40 to the consolidated financial statements of the Group. None of these transactions constitute a discloseable connected transactions or continuing connected transactions in accordance with the Listing Rules except for those disclosed in the section headed “Connected Transactions” in this report.

Corporate Governance

The major corporate governance practices as adopted by the Company are set out in the Corporate Governance Report section set out on pages 14 to 22.

The Company has received the said written confirmation for the year ended 31 March 2020 from each controlling shareholder and the Directors are of the view that the controlling shareholders have been in compliance with the Non-Competition Undertaking for the year under review.

Permitted Indemnity Provision

Save for the directors and officers liability insurance maintained by the Company in respect of relevant legal actions against the Directors, at no time during the year ended 31 March 2020 and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors (whether made by the Company or otherwise).

Events after the Reporting Period

There are no significant events taken place after 31 March 2020 and up to the date of this report.

Sufficiency of Public Float

Throughout the year ended 31 March 2020 and as at the date of this annual report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained a sufficient prescribed public float of more than 25% of the Company’s issued shares as required under the Listing Rules.

REPORT OF THE DIRECTORS

Review of Annual Results by Audit Committee

The Company has established the Audit Committee which comprises all three independent non-executive Directors. The current members are Ms. Mak Yun Chu, Mr. Hung Wai Che and Mr. Leung Siu Kee, with Ms. Mak Yun Chu being the chairperson of the committee. The Group's annual results for the year ended 31 March 2020 have been reviewed by the Audit Committee. The Audit Committee is of opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

Auditor

On 16 August 2019, HLM CPA Limited retired as auditor of the Company and Confucius International CPA Limited was appointed as auditor of the Company at the annual general meeting of the Company held on the same date.

The consolidated financial statements of the Group for the year ended 31 March 2020 have been audited by Confucius International CPA Limited.

On behalf of the Board
Kingkey Financial International (Holdings) Limited

Wong Chun Chau
Chairman and Executive Director
24 June 2020

PAN-CHINA
天健國際會計師事務所有限公司
Confucius International CPA Limited Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KINGKEY FINANCIAL INTERNATIONAL (HOLDINGS) LIMITED (FORMERLY KNOWN AS UKF (HOLDINGS) LIMITED)
京基金融國際(控股)有限公司 (前稱英裘(控股)有限公司)
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Kingkey Financial International (Holdings) Limited (formerly known as UKF (Holdings) Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 71 to 183, which comprise the consolidated statement of financial position as at 31 March 2020, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Key audit matters *(Continued)*

Impairment assessment of goodwill (refer to Note 17 to the consolidated financial statements)

The Group has, in aggregate, goodwill of approximately HK$106,814,000, relating to the cash-generating unit ("CGU") in securities segments as at 31 March 2020.

The management had made an assessment of the recoverable amount of the CGU in securities segments with reference to independent external valuations conducted at the end of the reporting period. The assessment of the recoverable amount involved significant management judgements on the key assumptions and assertions used in cash flow projections prepared based on a 5-year financial forecast, and significant estimates with respect to future revenue growth, discount rate and other relevant factors.

Our response

Our main procedures in relation to the impairment assessment of goodwill included:

(i) Understanding the methodology applied by the management in performing its impairment test for the relevant CGU and walked through the controls over the process;

(ii) Performing our own sensitivities on the group's forecasts and determined whether there is adequate headroom;

(iii) Performing detailed testing to critically assess and corroborate the key inputs to the valuations for the CGU, including:

- analysing the historical accuracy of budgets to actual results to determine whether the forecasted cash flows are reliable based on past experience;
- visiting factories and analysing historical data to better understand the operations and to assess the ability to achieve volume growth as forecasted, operational improvements and production yields;
- challenging the management's ability to achieve both price and volume increases through understanding and corroborating the status of customer negotiations and analysing the impact and exposure to changes in commodity costs;
- performing current market and historical analysis to corroborate future price assumptions with support from our valuation specialists;
- in conjunction with our valuation specialists, corroborating the discount rate used by obtaining the underlying data used in the calculation and benchmarking it against market data and comparable organisations;
- validating the assumed growth rates by comparing them to economic and industry forecasts; and

(iv) Assessing the independence, competence and objectivity of the independent external valuer appointed by the Group.

Based on our procedures described, we found that estimations by the management in relation to impairment assessment of goodwill was reasonable.

Key audit matters *(Continued)*

Impairment assessment of trade receivables arising from securities brokerage business and loan receivables (refer to Notes 23 and 24 to the consolidated financial statements)

As at 31 March 2020, the Group had trade receivables arising from securities brokerage business of HK$281,447,000 from brokerage and margin financing businesses, and loan receivables of HK$15,000,000 from money lending business, provision for impairment, net, of HK$11,934,000 had been made for the trade receivables arising from securities brokerage business for the year ended 31 March 2020.

Assessing impairment of trade receivables arising from securities brokerage business and loan receivables is a subjective area as it requires application of significant judgement and uses of estimates. At each reporting date, the Group assesses whether there has been a significant increase in credit risk of default occurring over the expected life of the individual receivable between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information, and forward-looking analysis. Judgement is applied in assessing customers that may default and identifying evidence of impairment which include assessment on creditworthiness of customers, their repayment history, and application of collateral ratio, that is the level of securities collateral in proportion to the outstanding receivables balance. Estimates are used in assessing the recoverable amount of the securities collateral.

Due to the significance of trade receivables arising from securities brokerage business and loan receivables (representing approximately 46% collectively of total assets) and the corresponding uncertainty inherent in such estimates, we considered this as a key audit matter.

Our main procedures in relation to the impairment assessment of trade receivables included:

(i) Understanding, evaluating and validating the controls over the impairment assessment of trade receivables arising from securities brokerage business and loan receivables, which related to the management's identification of events that might trigger the Significant Increase in Credit Risk ("SICR") of loan receivables and events of default;

(ii) Testing the appropriateness of the Group's determination of SICR and the basis of classification of exposures into the 3 stages as required by HKFRS 9. Our testing included the checking to margin clients overdue information, collateral ratio and other factors determining the stage classification as determined by the Group;

(iii) Assessing, on a sample basis, the recoverability of the outstanding receivables through our discussion with the management and with reference to credit profiles of the customers, available data, information and the latest correspondence with customers and checking subsequent settlements;

(iv) Assessing the reasonableness of the Group's criteria for assessing if there has been a SICR and so allowances for financial assets should be measured on a life-time ECL basis and the qualitative assessment;

INDEPENDENT AUDITOR'S REPORT

Key audit matters *(Continued)*

Impairment assessment of trade receivables arising from securities brokerage business and loan receivables (refer to Notes 23 and 24 to the consolidated financial statements) *(Continued)*

(v) Re-performing the management's calculation of loss allowances under the ECL model which grouped together all the receivables with similar risk characteristics and based on the probability of default, exposure at default and loss given default; and

(vi) Verifying the balances of trade receivables arising from securities brokerage business and loan receivables by requesting and receiving confirmations on a sample basis.

We found the estimations and judgements made by the management in respect of the impairment assessment of trade and loan receivables to be reasonable.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Confucius International CPA Limited
Certified Public Accountants

Ho Pak Tat
Practising Certificate number: P05215

Hong Kong, 24 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	5 & 6	**125,041**	113,546
Cost of sales		**(84,115)**	(78,896)
Gross profit		**40,926**	34,650
Other income	7	**7,788**	4,423
Other gains and losses, net	8	**(7,139)**	(19,940)
Provision for impairment of trade receivables, net		**(11,934)**	(1,632)
Reversal of (provision for) impairment of loan receivables	24	**96**	(96)
Administrative expenses		**(92,053)**	(95,411)
Finance costs	9	**(8,413)**	(10,802)
Loss before tax	10	**(70,729)**	(88,808)
Income tax expense	12	**(151)**	(397)
Loss for the year		**(70,880)**	(89,205)
Other comprehensive expense:			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas operations		**(3,797)**	(12,261)
Item that will not be reclassified subsequently to profit or loss:			
Fair value changes of financial assets at fair value through other comprehensive income		**(5,050)**	—
Other comprehensive expense for the year, net of tax		**(8,847)**	(12,261)
Total comprehensive expense for the year		**(79,727)**	(101,466)
Loss for the year attributable to:			
Owners of the Company		**(70,314)**	(85,782)
Non-controlling interests		**(566)**	(3,423)
		(70,880)	(89,205)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(79,161)**	(98,043)
Non-controlling interests		**(566)**	(3,423)
		(79,727)	(101,466)
Loss per share	14		
Basic		**(1.49) cents**	(1.87) cents
Diluted		**(1.49) cents**	(1.87) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	15	**80,843**	105,515
Right-of-use assets	16	**2,522**	—
Goodwill	17	**106,814**	106,814
Intangible asset	18	**500**	500
Financial assets at fair value through profit or loss	19	**—**	11,559
Financial assets at fair value through other comprehensive income	20	**4,950**	—
Deposits	23	**404**	2,121
		196,033	226,509
Current assets			
Biological assets	21	**6,714**	8,954
Inventories	22	**57,770**	54,192
Trade and other receivables, prepayments and deposits	23	**298,296**	274,185
Amounts due from related companies	40	**1,193**	—
Loan receivables	24	**15,000**	36,004
Tax recoverable		**527**	7,577
Bank balances held on behalf of clients	25	**25,445**	49,011
Bank balances and cash	26	**42,136**	100,821
		447,081	530,744
Current liabilities			
Trade and other payables	27	**36,649**	83,140
Tax payables		**6,635**	6,692
Bank borrowings	28	**82,336**	199,182
Lease liabilities/obligations under finance lease	29, 30	**2,708**	182
Amount due to a director	31	**21,000**	—
Amount due to a shareholder	31	**15,000**	—
Corporate bonds	32	**15,500**	10,000
Promissory notes	33	**3,430**	—
		183,258	299,196
Net current assets		**263,823**	231,548
Total assets less current liabilities		**459,856**	458,057
Non-current liabilities			
Obligations under finance lease	30	**—**	78
Corporate bonds	32	**32,718**	—
		32,718	78
Net assets		**427,138**	457,979
Capital and reserve			
Share capital	35	**48,496**	46,155
Reserves		**378,642**	414,581
Equity attributable to the owners of the Company		**427,138**	460,736
Non-controlling interests		**—**	(2,757)
Total equity		**427,138**	457,979

The consolidated financial statements on pages 71 to 183 were approved and authorised for issue by the Board of Directors on 24 June 2020 and are signed on its behalf by:

WONG CHUN CHAU
DIRECTOR

KWOK YIN NING
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to the owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Share-based payment reserve HK$'000	Investments revaluation reserve HK$'000	Translations reserve HK$'000	Other reserve HK$'000 (Note)	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2018	45,569	619,545	(7,122)	2,950	–	(6,958)	–	(106,989)	546,995	475	547,470
Loss for the year	–	–	–	–	–	–	–	(85,782)	(85,782)	(3,423)	(89,205)
Other comprehensive expense for the year:											
Exchange difference on translation of overseas operations	–	–	–	–	–	(12,261)	–	–	(12,261)	–	(12,261)
Total comprehensive expense for the year	–	–	–	–	–	(12,261)	–	(85,782)	(98,043)	(3,423)	(101,466)
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	–	191	191
Exercise of share options	586	9,425	–	(2,950)	–	–	–	–	7,061	–	7,061
Employee share option benefit	–	–	–	4,723	–	–	–	–	4,723	–	4,723
At 31 March 2019	46,155	628,970	(7,122)	4,723	–	(19,219)	–	(192,771)	460,736	(2,757)	457,979
Upon initial application of HKFRS 16	–	–	–	–	–	–	–	(197)	(197)	(156)	(353)
At 1 April 2019	46,155	628,970	(7,122)	4,723	–	(19,219)	–	(192,968)	460,539	(2,913)	457,626
Loss for the year	–	–	–	–	–	–	–	(70,314)	(70,314)	(566)	(70,880)
Other comprehensive expense for the year:											
Exchange difference on translation of overseas operations	–	–	–	–	–	(3,797)	–	–	(3,797)	–	(3,797)
Fair value changes of financial assets at fair value through other comprehensive income	–	–	–	–	(5,050)	–	–	–	(5,050)	–	(5,050)
Total comprehensive expense for the year	–	–	–	–	(5,050)	(3,797)	–	(70,314)	(79,161)	(566)	(79,727)
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	–	4,911	4,911
Issue of shares by placing	2,341	45,417	–	–	–	–	–	–	47,758	–	47,758
Acquisition of additional interests in a non-wholly owned subsidiaries (Note 44(c))	–	–	–	–	–	–	(1,998)	–	(1,998)	(1,432)	(3,430)
At 31 March 2020	48,496	674,387	(7,122)	4,723	(5,050)	(23,016)	(1,998)	(263,282)	427,138	–	427,138

Note: Other reserve mainly represents the difference between the amount of non-controlling interest adjusted and the fair value of the consideration paid on partial acquisition of subsidiaries without losing control over the subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Operating activities			
Loss before tax		**(70,729)**	(88,808)
Adjustments for:			
Depreciation of right-of-use assets	16	**9,305**	—
Depreciation of property, plant and equipment	15	**12,442**	14,831
Change in fair value of biological assets	21	**(2,040)**	(7,565)
Fair value gain in financial assets at fair value through profit or loss	8	**—**	(353)
Gain on disposal of property, plant and equipment	8	**—**	(170)
Interest income	7	**(38)**	(143)
Interest expenses	9	**8,413**	10,802
Impairment of goodwill	17	**—**	20,536
Impairment of inventories	22	**3,497**	—
Impairment of property, plant and equipment	8	**9,162**	—
Loss on early redemption of promissory note	8	**—**	7,099
Loss on write-off of property, plant and equipment	8	**—**	349
Provision for impairment of trade receivables, net	10	**11,934**	1,632
(Reversal of) provision for impairment of loan receivables	24	**(96)**	96
Share-based payment expenses	38	**—**	4,723
Operating cash flows before movements in working capital		**(18,150)**	(36,971)
Increase in biological assets		**(11,887)**	(27,291)
Decrease in inventories		**7,107**	34,749
(Increase) decrease in trade and other receivables, prepayments and deposits		**(34,583)**	150,004
Decrease (increase) in loan receivables		**21,100**	(32,600)
Decrease in bank balances held on behalf of clients		**23,566**	42,558
Decrease in trade and other payables		**(46,683)**	(40,541)
Increase in amounts due from related companies		**(1,193)**	—
Cash (used in) generated from operating activities		**(60,723)**	89,908
Interest paid		**(44)**	(59)
Hong Kong Profits Tax refund (paid), net		**6,842**	(11,630)
Net cash (used in) generated from operating activities		**(53,925)**	78,219

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Investing activities			
Interest received	7	**38**	143
Acquisition of financial assets at fair value through other comprehensive income		**(10,000)**	—
Proceeds from disposal of financial assets at fair value through profit or loss		**11,559**	—
Proceeds from disposal of property, plant and equipment	8	**—**	170
Purchase of property, plant and equipment	15	**(76)**	(3,342)
Payment to acquisition of additional interests in subsidiaries	44(c)	**—**	—
Net cash generated from (used in) investing activities		**1,521**	(3,029)
Financing activities			
Addition of corporate bonds	47	**48,218**	—
Redemption of promissory note	47	**—**	(108,800)
Repayment of corporate bond	47	**(10,000)**	—
Net proceeds from placing of shares		**47,758**	—
New bank borrowings	47	**208,905**	214,044
Capital injection from non-controlling interests		**4,911**	191
Proceeds from issue of shares upon exercise of share options		**—**	7,061
Repayments of bank borrowings	47	**(324,180)**	(178,247)
Repayment of obligations under finance leases	47	**—**	(354)
Capital element of lease rental paid	47	**(9,527)**	—
Interest element of lease rental paid	47	**(389)**	—
Increase in amount due to a shareholder	47	**15,000**	—
Increase in amount due to a director	47	**21,000**	—
Interest paid	47	**(7,601)**	(8,286)
Net cash used in financing activities		**(5,905)**	(74,391)
Net (decrease) increase in cash and cash equivalents		**(58,309)**	799
Cash and cash equivalents at beginning of the year		**100,821**	100,440
Effect of foreign exchange rate changes, net		**(376)**	(418)
Cash and cash equivalents at the end of the year		**42,136**	100,821
Cash and cash equivalents represented by			
Bank balances and cash		**42,136**	100,821

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. General

Kingkey Financial International (Holdings) Limited (formerly known as UKF (Holdings) Limited) (the "Company") is a public limited company incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 March 2015. In the opinion of the Directors of the Company, the ultimate holding company of the Company is Kingkey Holdings (International) Limited ("Kingkey Holdings") (formerly known as Perfect Thinking Global Limited ("Perfect Thinking")) which is a private limited company incorporated in the British Virgin Islands. Its controlling shareholder is Mr. Chen Jiajun. On 18 September 2019, Mr. Chen Jiarong, the former controlling shareholder of the Company, transferred his holdings of approximately 72.87% of the issued share capital in the Company through his entire shareholding in Perfect Thinking to his brother, Mr. Chen Jiajun. After completion of the transfer, Mr. Chen Jiajun becomes the controlling shareholder of the Company. The address of the registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is located at 902, Harbour Centre, Tower 2, 8 Hok Cheung Street, Kowloon, Hong Kong.

Pursuant to a special resolution passed on 5 November 2019 and the Certificate of Incorporation on Change of Name issued by the Registrar of Companies in the Cayman Islands on 11 November 2019, the Company changes its English name and Chinese name from "UKF (Holdings) Limited 英裘(控股)有限公司" to "Kingkey Financial International (Holdings) Limited 京基金融國際(控股)有限公司".

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are provision of securities brokerage, margin financing to clients, underwriting and placing services, insurance brokerage, asset management services, wealth management services and investment products consultancy services, trading of fur skin, mink farming in Denmark, fur skin brokerage and money lending.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. In addition, the functional currencies of certain group entities that operate outside Hong Kong are determined based on the currency of the primary economic environment in which the group entities operate.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

New and amendments to Hong Kong Accounting Standards ("HKASs") and HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKASs and HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendments, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRSs	Annual Improvement to HKFRSs 2015 — 2017 Cycle

Except as described below, the application of the new and amendments to HKASs and HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

New and amendments to Hong Kong Accounting Standards ("HKASs") and HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application on 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated loss and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review; and

(ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ending within 12 months of the date of initial application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

New and amendments to Hong Kong Accounting Standards ("HKASs") and HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 "Leases" *(Continued)*

As a lessee *(Continued)*

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant Group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5%.

The reconciliation of lease liabilities as at 1 April 2019 to the operating leases commitments as at 31 March 2019 is as follows:

	Note	At 1 April 2019 HK$'000
Operating lease commitments disclosed as at 31 March 2019		12,909
Lease liabilities discounted at relevant incremental borrowing rates		(883)
Less: Recognition exemption — short-term lease		(47)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		11,979
Add: Reclassification from obligations under finance leases	(a)	260
Total lease liabilities as at 1 April 2019		12,239
Analysed as:		
Current		9,241
Non-current		2,998
		12,239

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

New and amendments to Hong Kong Accounting Standards ("HKASs") and HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 "Leases" *(Continued)*

As a lessee *(Continued)*

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Note	**Right-of-use assets** HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		11,626
Adjustment included in property, plant and equipment under HKAS 17 — Plant and machinery held under finance leases	(a)	481
		12,107
By class:		
Lease premises		11,626
Plant and machinery		481
		12,107

The following table summarises the impact of transition to HKFRS 16 on accumulated losses at 1 April 2019.

	Impacts of adopting HKFRS 16 at 1 April 2019 HK$'000
Accumulated losses	
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	11,626
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	(11,979)
Impact at 1 April 2019	(353)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

New and amendments to Hong Kong Accounting Standards ("HKASs") and HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 "Leases" *(Continued)*

As a lessee *(Continued)*

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Note	Carrying amount previously reported at 31 March 2019 HK$'000	Impacts of adopting HKFRS 16 HK$'000	Carrying amount under HKFRS 16 at 1 April 2019 HK$'000
Property, plant and equipment	(a)	105,515	(481)	105,034
Right-of-use assets		—	12,107	12,107
Obligations under finance leases — current	(a)	(182)	182	—
Obligations under finance leases — non-current	(a)	(78)	78	—
Lease liabilities — current		—	(9,241)	(9,241)
Lease liabilities — non-current		—	(2,998)	(2,998)

Note:

(a) In relation to assets previously under finance leases, the Group recategorised the carrying amount of the relevant assets which were still under lease as at 1 April 2019 amounting to approximately HK$481,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of approximately HK$182,000 and HK$78,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

New and amendments to HKASs and HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKASs and HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[5]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective date to be determined
5 Effective for annual periods beginning on or after 1 June 2020

In addition to the above new and amendments to HKASs and HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2019. Its consequential amendments "the Amendments to References to the Conceptual Framework in HKFRS Standards" will be effective for annual periods beginning on or after 1 April 2020.

The Group has already commenced an assessment of the impact of these new and amendments to HKASs and HKFRSs but is not yet in a position to state whether these new and amendments to HKASs and HKFRSs would have a material impact on its results of operations and financial position.

3. Significant Accounting Policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. Significant Accounting Policies *(Continued)*

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value or measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For biological assets which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. Significant Accounting Policies *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. Significant Accounting Policies *(Continued)*

Basis of consolidation *(Continued)*

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. Significant Accounting Policies *(Continued)*

Business combinations *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. Significant Accounting Policies *(Continued)*

Business combinations *(Continued)*

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Interests in subsidiaries

Interests in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating unit ("CGU") (or groups of CGU) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

3. Significant Accounting Policies *(Continued)*

Revenue from contracts with customers *(Continued)*

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable rights to payment for performance completed to date.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accrued on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the Group applies the practical expedient in HKFRS 15 of not adjusting the transaction price for the effects of any significant financing component.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Contracts with multiple performance obligations

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. Significant Accounting Policies *(Continued)*

Revenue from contracts with customers *(Continued)*

Contract balance

A contract asset represents the Group's rights to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional rights to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Description of the Group's performance obligation of main source of income under the scope of HKFRS 15 are as follows:

Brokerage commission from dealing in securities

Service income from brokerage commission, net of commission income waived for certain customers, is recognised on a trade date basis at a point in time when the relevant transactions are executed in accordance with the agreed terms of the account opening agreements. The corresponding brokerage commission will be settled once the underlying securities transactions completed.

Brokerage commission from insurance and fur skin

Revenue from insurance and fur skin brokerage services should be recognised at a point in time when the service is rendered to the customer, which is consistent with the previous accounting policy. Therefore, the adoption of HKFRS 15 has no impact on the timing of revenue recognition in this regard.

Underwriting, sub-underwriting, placing and sub-placing commission

Service income from underwriting and placing services are recognised at a point in time in accordance with the agreed terms of the relevant underwriting and placing agreements or deal mandate when the relevant significant acts have been completed.

3. Significant Accounting Policies *(Continued)*

Revenue from contracts with customers *(Continued)*

Interest income from clients

Interest income from clients, net of interest income waived for certain customers, is recognised on a time proportion basis, by reference to the principal amounts outstanding and the effective interest rates applicable.

Consultancy services and asset management services income

Revenue from provision of consultancy services and asset management services are recognised over time as customers simultaneously receive and consume benefits when the Company performs the consultancy services.

Consultancy services and referral fee income from insurance brokerage

Revenue from provision of consultancy services and referral fee income are recognised at a point in time when the relevant transactions have been arranged or the relevant services have been rendered.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably and it is accrued on a time basis, by reference to the principal outstanding and calculated at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Sales of fur

Revenue is recognised when fur is delivered which are taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Leasing

Upon application of HKFRS 16 in accordance with transitions in Note 2

Definition of a lease

A contract is, or contains, a lease if the contract conveys the rights to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. Significant Accounting Policies *(Continued)*

Leasing *(Continued)*

Upon application of HKFRS 16 in accordance with transitions in Note 2 *(Continued)*

The Group as lessee

a) *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

b) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of motor vehicles, machinery and equipment and premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

c) *Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

3. Significant Accounting Policies *(Continued)*

Leasing *(Continued)*

Upon application of HKFRS 16 in accordance with transitions in Note 2 *(Continued)*

The Group as lessee *(Continued)*

c) *Right-of-use assets (Continued)*

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

d) *Refundable rental deposits*

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

e) *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. Significant Accounting Policies *(Continued)*

Leasing *(Continued)*

Upon application of HKFRS 16 in accordance with transitions in Note 2 *(Continued)*

The Group as lessee *(Continued)*

e) Lease liabilities (Continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

f) Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the rights to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. Significant Accounting Policies *(Continued)*

Leasing *(Continued)*

Upon application of HKFRS 16 in accordance with transitions in Note 2 *(Continued)*

The Group as lessee *(Continued)*

f) Lease modifications (Continued)

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 April 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. Significant Accounting Policies *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3. Significant Accounting Policies *(Continued)*

Borrowing costs *(Continued)*

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit scheme are recognised as an expense when employees have rendered services entitling them to the contribution.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. Significant Accounting Policies *(Continued)*

Share-based payment arrangements *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to employees *(Continued)*

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to accumulated losses.

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before taxation" because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. Significant Accounting Policies *(Continued)*

Taxation *(Continued)*

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable rights to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. Significant Accounting Policies *(Continued)*

Taxation *(Continued)*

Current and deferred tax for the year

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Biological assets

Biological assets comprise minks.

Minks are measured at fair value less costs of disposal, based on average market price at auction of skin less incremental costs. Costs of disposal include the incremental selling costs, auctioneers' fees and pelting fees for to skinners.

Changes in fair value of minks are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than freehold lands as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

3. Significant Accounting Policies *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation is recognised so as to write-off the cost of assets less their residual values over their useful life, using the straight-line method, at the following rates per annum:

Mink farm buildings	2-5%
Leasehold improvements	Shorter of 20% or lease term
Plant and machinery	5-20%
Office equipment	20%-33%
Motor vehicle	20%
Freehold land	0%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets represent the rights to trade on the Stock Exchange (the "trading rights"). The trading rights have indefinite useful life and are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment below).

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. Significant Accounting Policies *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual CGU, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGU, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGU, with the recoverable amount of the group of CGU. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGU. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value-in-use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGU. An impairment loss is recognised immediately in profit or loss.

3. Significant Accounting Policies *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU or a group of CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. Significant Accounting Policies *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets *(Continued)*

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets *(Continued)*

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the investment revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's rights to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in profit or loss.

(iii) Financial assets as at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

This category contains investments in life insurance policies. The Group accounts for the investments at FVTPL.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets *(Continued)*

(iii) Financial assets as at FVTPL (Continued)

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables (excluding prepayments and other items which were not financial instruments), deposits, loan receivables, amounts due from related companies, bank balances held on behalf of clients and cash and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

For all other instruments, the Group measures the loss allowance equal to 12 months ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(i) Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 365 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

For loan commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers default has occurred when a financial asset is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(v) Measurement and recognition of ECL (Continued)

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables (excluding prepayment and other items which were not financial instruments), deposits, loan receivables, amount due from related companies, bank balances held on behalf of clients and bank balances and cash;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for financial assets at FVTOCI the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets *(Continued)*

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at FVTPL *(Continued)*

A financial liability is held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to investment revaluation reserve upon derecognition of the financial liability.

Financial liabilities at amortised cost

Other financial liabilities (including trade payables and other payables (excluding contract liabilities), amount due to a director/a shareholder, lease liabilities, bank borrowings, promissory notes and corporate bonds) are subsequently measured at amortised cost, using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Derecognition — substantial modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable rights to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. Significant Accounting Policies *(Continued)*

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, bank deposits having been within three months of maturity at acquisition, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Related parties

A party is considered to be related to the Group if:

(i) A person, or a close member of that person's family, is related to the Group if that person:

1. has control or joint control over the Group;
2. has significant influence over the Group; or
3. is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

1. the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
2. one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
3. both entities are joint ventures of the same third party;
4. one entity is a joint venture of a third party and the other entity is an associate of the same third party or vice versa;
5. the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
6. the entity is controlled or jointly-controlled by a person identified in (i);
7. a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
8. the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;
(ii) children of that person's spouse or domestic partner; and
(iii) dependents of that person or that person's spouse or domestic partner.

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4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the CGU to which goodwill has been allocated. The value-in-use calculation requires the management of the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill as at 31 March 2020 was HK$106,814,000, no impairment was recognised in the consolidated statement of profit or loss during the year (2019: HK$106,814,000, net of impairment of HK$20,536,000). Details of the recoverable amount calculation are set out in Note 17 to the consolidated financial statements.

Useful lives and impairment of property, plant and equipment and right-of-use assets

In applying the accounting policy on property, plant and equipment and right-of-use assets with respect to depreciation, the management estimates the useful lives of various categories of property, plant and equipment and right-of-use assets according to the Group's experience over the usage of property, plant and equipment and right-of-use assets and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment and right-of-use assets are less than the original estimate useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining useful lives.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Useful lives and impairment of property, plant and equipment and right-of-use assets *(Continued)*

As at 31 March 2020, in view of impairment indicators, the Group performed impairment assessment on carrying amount of property, plant and equipment approximately HK$80,843,000 and right-of-use assets property approximately HK$2,522,000 (31 March 2019: property, plant and equipment approximately HK$105,515,000) respectively. The impairment losses approximately HK$9,162,000 (31 March 2019: HK$Nil) in respect of property, plant and equipment relating to fur business have been recognised during the year.

Estimation on net realisable value of inventories

Inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The management of the Group periodically reviews inventories for slow-moving inventories, obsolescence or declines in market value. This review requires them to estimate the net realisable value based upon assumptions about future demand and market conditions. If the estimate of net realisable value is below the cost of inventories, the Group will record a write-down of inventories for the difference between cost and net realisable value, which will result in a corresponding increase in cost of sales. If the net realisable value is less than the carrying amount, write-down on inventories may be required. The carrying amount of inventories is HK$57,770,000 as at 31 March 2020 (2019: HK$54,192,000). Details of the inventories are disclosed in Note 22 to the consolidated financial statements.

Fair value of other financial instruments

The unlisted equity investments held as FVTPL has been valued based on market-based valuation technique. All financial assets at FVTPL was disposed during the year. Further details are included in Note 19 to the consolidated financial statements.

Fair values of biological assets

The biological assets are valued at fair value less costs of disposal. The fair value is determined based on either the market-determined prices as at the end of the reporting periods adjusted with reference to the species, ages, growing conditions and costs incurred to reflect differences in characteristic and/or stages of growth of biological assets. Any change in the estimates may affect the fair value of biological assets significantly.

The valuer and the management review the assumptions and estimates periodically to identify any significant changes in the fair value of biological assets. Details of the assumptions used are disclosed in Note 21 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Provision of ECL on trade receivables arising from securities brokerage business

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customers' current credit-worthiness, as determined by review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses.

In assessing the lifetime ECL on credit-impaired financial assets, the Group performs the assessment based on the Group's historical credit loss experience, adjusted for factors that specific to the debtors or borrowers, general economic conditions and both the current conditions at the reporting date as well as the forecast of future conditions with significant judgments involved. Moreover, the Group also reviews the value of the collateral received from the customers in determining the impairment. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce material differences between loss estimates and actual loss experience. As at 31 March 2020, the carrying amount of trade receivables arising from securities brokerage business is approximately HK$281,447,000 (2019: HK$260,581,000). The Group have made impairment loss, net of approximately HK$11,934,000 (2019: HK$1,632,000) during the year.

Provision of ECL on loans receivables

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or local economic conditions that correlate with defaults on assets in the Group. The management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

As at 31 March 2020, the carrying amount of loan receivables is HK$15,000,000 (2019: HK$36,004,000). Reversal of impairment loss has made of HK$96,000 (2019: net of impairment loss HK$96,000) during the year.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Share-based payments

The Group recognises share-based payments expense on options granted. Share-based payments expense is based on the estimated fair value of each option at its grant date, the estimation of which requires the directors to make assumptions about future volatility of the Group's stock price, future interest rates and the timing with respect to exercise of the options. The effects of a change in one or more of these variables could result in a materially different fair value. The fair value of the share options granted during the year was estimated at HK$Nil (2019: HK$4,723,000) and the amount associated with share-based payments for the year ended 31 March 2020 is HK$Nil (2019: HK$4,723,000).

Income taxes

The Group is subject to income taxes in Hong Kong and Denmark. Significant judgements are required in determining the provision for income taxes and the timing of payment of the related tax. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

As at 31 March 2020, a deferred tax asset of HK$2,351,000 (2019: HK$3,992,000) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax asset may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5. Revenue

During the year, the Group's revenue representing the amount received and receivable from its operating businesses, net of discount, are as follows:

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers		
Insurance brokerage services income	**82,047**	40,918
Commission income from		
— securities brokerage	**2,316**	5,383
— underwriting, sub-underwriting, placing and sub-placing	**12,814**	4,055
Brokerage of fur skin	**599**	1,158
Mink farming	**1,406**	35,227
Asset management services income	**50**	—
Revenue from other sources		
Interest income from margin financing services	**22,172**	19,098
Interest income from money lending services	**3,627**	7,707
Interest income from fur brokerage	**10**	—
	125,041	113,546

Note: Commission income from insurance brokerage, securities brokerage, underwriting, sub-underwriting, placing and sub-placing, brokerage of fur skin and income from mink farming are recognised at point in time. Asset management services income are recognised at point over time.

6. Segment Information

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Securities	—	Provision of securities brokerage, margin financing, underwriting, placing and consultancy services
Insurance brokerage	—	Provision of insurance brokerage and wealth management services
Fur	—	Operation of breeding, farming and sale of livestocks and pelted skin, provision of fur skin brokerage and financing services
Other segment	—	Provision and arrangement of money lending services and asset management services in Hong Kong

The following is an analysis of the Group's revenue and results by reportable and operating segments:

6. Segment Information *(Continued)*

For the year ended 31 March 2020

	Securities HK$'000	Insurance brokerage HK$'000	Fur HK$'000	Other segments HK$'000	Total HK$'000
Revenue	37,302	82,047	2,015	3,677	125,041
RESULTS					
Segment results	8,703	(2,962)	(39,823)	3,553	(30,529)
Unallocated corporate income					926
Unallocated corporate expenses					(32,713)
Finance costs					(8,413)
Loss before tax					(70,729)
Income tax expense					(151)
Loss for the year					(70,880)

	Securities HK$'000	Insurance brokerage HK$'000	Fur HK$'000	Other segments HK$'000	Total HK$'000
ASSETS					
Segment assets	415,375	2,701	143,126	15,005	576,207
Unallocated corporate assets					66,907
Total assets					643,114
LIABILITIES					
Segment liabilities	61,198	6,916	49,117	–	117,231
Unallocated corporate liabilities					98,745
Total liabilities					215,976

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. Segment Information *(Continued)*

Other information

	Securities HK$'000	Insurance brokerage HK$'000	Fur HK$'000	Other segments HK$'000	Unallocated HK$'000	Total HK$'000
Additions of property, plant and equipment	63	–	–	–	13	76
Change in fair value of biological assets	–	–	(2,040)	–	–	(2,040)
Impairment of property, plant and equipment	–	–	9,162	–	–	9,162
Impairment of inventories	–	–	3,497	–	–	3,497
Provision for impairment of trade receivables, net	11,934	–	–	–	–	11,934
Reversal of impairment of loan receivables	–	–	–	(96)	–	(96)
Depreciation of property, plant and equipment	1,312	746	10,378	–	6	12,442
Depreciation of right-of-use assets	–	1,919	642	–	6,744	9,305

6. Segment Information *(Continued)*

For the year ended 31 March 2019

	Securities HK$'000	Insurance brokerage HK$'000	Fur HK$'000	Other segments HK$'000	Total HK$'000
Revenue	28,536	40,918	36,385	7,707	113,546
RESULTS					
Segment results	(14,001)	(8,528)	(31,389)	7,163	(46,755)
Loss on early redemption of promissory note					(7,099)
Change in fair value of financial assets at FVTPL					353
Unallocated corporate income					65
Unallocated corporate expenses					(24,570)
Finance costs					(10,802)
Loss before tax					(88,808)
Income tax expense					(397)
Loss for the year					(89,205)

	Securities HK$'000	Insurance brokerage HK$'000	Fur HK$'000	Other segments HK$'000	Total HK$'000
ASSETS					
Segment assets	419,322	1,949	168,749	36,004	626,024
Unallocated corporate assets					131,229
Total assets					757,253
LIABILITIES					
Segment liabilities	101,025	3,137	60,621	20,000	184,783
Unallocated corporate liabilities					114,491
Total liabilities					299,274

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. Segment Information *(Continued)*

Other information

	Securities HK$'000	Insurance brokerage HK$'000	Fur HK$'000	Other segments HK$'000	Unallocated HK$'000	Total HK$'000
Additions of property, plant and equipment	2,238	901	203	—	—	3,342
Change in fair value of biological assets	—	—	7,565	—	—	7,565
Change in fair value of financial assets at FVTPL	—	—	—	—	(353)	(353)
Loss on early redemption of promissory note	—	—	—	—	7,099	7,099
Write-off of property, plant and equipment	349	—	—	—	—	349
Impairment of goodwill	19,112	1,424	—	—	—	20,536
Provision for impairment of trade receivables, net	1,632	—	—	—	—	1,632
Provision for impairment of loan receivables	—	—	—	96	—	96
Depreciation of property, plant and equipment	2,451	693	11,682	—	5	14,831

Segment results represent the result from each segment without allocation of central administration costs including directors' remuneration, other gains and losses, net, other income, finance costs and income tax expense, which are reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets other than prepayments and deposits, financial assets at FVTPL, financial assets at FVTOCI, right-of-use assets, property, plant and equipment, amounts due from related companies, bank balances and cash and tax recoverable are allocated to reportable segments. Goodwill is allocated to segments of securities and insurance brokerage. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segment; and

- all liabilities other than accrued expenses and other payables, amount due to a director/shareholder, lease liabilities/obligations under finance leases, corporate bonds, tax payables and promissory notes are allocated to reportable segments. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

6. Segment Information *(Continued)*

Geographical information

The Group mainly operates in Hong Kong and Denmark.

The Group's revenue from external customers based on the location of operations and information about its non-current assets by geographical location are analysed as follows:

	Revenue from external customers		**Non-current assets**	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
The People's Republic of China (the "PRC")	**609**	1,158	**–**	–
Hong Kong	**123,026**	77,161	**117,484**	125,382
Denmark	**1,406**	35,227	**78,549**	101,127
	125,041	113,546	**196,033**	226,509

Information about major customers

Revenue from customers contributing 10% or more of the total revenue of the Group is as follows:

	2020 HK$'000	2019 HK$'000
Customer A (Segment: Fur) (Note a)	**N/A**	35,227
Customer B (Segment: Insurance brokerage) (Note b)	**46,098**	27,550
Customer C (Segment: Insurance brokerage) (Notes a, b)	**12,267**	N/A

Note a: Revenue from this customer contributed less than 10% of the Group's total revenue for the year.

Note b: This customer is a product issuer.

No other single customer contributed 10% or more to the Group's revenue for both years ended 31 March 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

7. Other Income

	2020 **HK$'000**	2019 HK$'000
Administrative fee income	**785**	—
Sponsor income	**133**	197
Bank interest income	**38**	102
Other interest income	**—**	41
Award, bonus and commission rebate	**3,927**	342
Consultant fee income	**1,004**	1,170
Handling fee income	**734**	1,313
Rental and utilities income	**906**	—
Subscription fee income	**—**	416
Sales of other materials	**—**	362
Surplus distribution from Kopenhagen Fur	**29**	258
Others	**232**	222
	7,788	4,423

8. Other Gains and Losses, Net

An analysis of the Group's other gains and losses, net is as follows:

	Notes	**2020** **HK$'000**	2019 HK$'000
Foreign exchange loss, net		**(17)**	(44)
Impairment of property, plant and equipment	15	**(9,162)**	—
Impairment of goodwill	17	**—**	(20,536)
Change in fair value of biological assets	21	**2,040**	7,565
Change in fair value of financial assets at fair value through profit or loss		**—**	353
Gain on disposal of property, plant and equipment		**—**	170
Loss on early redemption of promissory notes		**—**	(7,099)
Write-off of property, plant and equipment	15	**—**	(349)
		(7,139)	(19,940)

9. Finance Costs

	2020 HK$'000	2019 HK$'000
Interests on:		
— Bank borrowings	**7,405**	7,736
— Cash clients' accounts	**16**	14
— Corporate bonds (effective)	**575**	550
— Lease liabilities/finance leases	**389**	2
— Margin clients' accounts	**28**	29
— Overdraft	**—**	14
— Promissory notes (imputed)	**—**	2,457
	8,413	10,802

10. Loss Before Tax

Loss before tax has been arrived at after charging (crediting):

	2020 HK$'000	2019 HK$'000
Auditor's remuneration	**927**	1,198
Provision for impairment of trade receivables, net	**11,934**	1,632
(Reversal of) provision for impairment of loan receivables	**(96)**	96
Cost of inventories recognised as expenses	**5,382**	34,717
Depreciation of property, plant and equipment	**12,442**	14,831
Depreciation of right-of-use assets	**9,305**	—
Gain on disposal of property, plant and equipment	**—**	(170)
Impairment of property, plant and equipment	**9,162**	—
Impairment of inventories	**3,497**	—
Impairment of goodwill	**—**	20,536
Net foreign exchange loss	**17**	44
Operating lease payments in respect of rented premises	**937**	8,216
Share-based payments	**—**	4,723
Staff costs (including directors' remuneration — Note 11)		
— salaries and allowance	**38,415**	39,204
— retirement benefit scheme contributions	**1,576**	1,783
Write-off of property, plant and equipment	**—**	349

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

11. Directors' Remuneration and Senior Management's Emoluments

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the Group's directors in 2020 are as follows:

Emoluments	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Discretionary bonuses HK$'000	Total HK$'000
Executive directors					
Mr. Wong Chun Chau *(Chairman)*	–	576	18	48	642
Ms. Kwok Yin Ning *(Chief Executive Director)*	–	540	18	45	603
Independent non-executive directors					
Ms. Mak Yun Chu	120	–	–	–	120
Mr. Tang Tat Chi (Note 1)	54	–	–	–	54
Mr. Hung Wai Che	120	–	–	–	120
Mr. Leung Siu Kee (Note 1)	75	–	–	–	75
	369	1,116	36	93	1,614

Note:

(1) Mr. Tang Tat Chi retired as independent non-executive director of the Company on 16 August 2019 and Mr. Leung Siu Kee has been appointed as independent non-executive director of the Company with effect from 16 August 2019.

The emoluments paid or payable to each of the Group's directors in 2019 are as follows:

Emoluments	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Discretionary bonuses HK$'000	Total HK$'000
Executive directors					
Mr. Wong Chun Chau *(Chairman)*	–	576	18	48	642
Ms. Kwok Yin Ning *(Chief Executive Director)*	–	540	18	45	603
Independent non-executive directors					
Ms. Mak Yun Chu	120	–	–	–	120
Mr. Tang Tat Chi	144	–	–	–	144
Mr. Hung Wai Che	120	–	–	–	120
	384	1,116	36	93	1,629

11. Directors' Remuneration and Senior Management's Emoluments *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

The directors' and chief executive's emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.

During the year, no director received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office and none of them waived or has agreed to waive any emoluments (2019: no director waived emoluments).

During the year ended 31 December 2020 and 2019, no share options were granted to directors.

(b) Employees' emoluments

Of the five individuals with the highest emoluments of the Group, there were no directors of the Company (2019: no directors of the Company whose emoluments are set out in (a) above). The emoluments of the remaining five (2019: five) individuals were as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries, allowances and benefits in kind	**8,226**	7,636
Discretionary bonuses	**—**	5,775
Defined contribution and retirement benefit scheme contributions	**90**	90
	8,316	13,501

Their emoluments were fell within the following bands:

	2020 **Number of** **employees**	2019 Number of employees
HK$1,000,001 — HK$1,500,000	**2**	—
HK$1,500,001 — HK$2,000,000	**2**	1
HK$2,000,001 — HK$2,500,000	**1**	2
HK$3,000,001 — HK$3,500,000	**—**	1
HK$4,500,001 — HK$5,000,000	**—**	1
	5	5

During the year, the remaining five (2019: five) individuals have not received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office and none of them waived or has agreed to waive any emoluments.

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For the year ended 31 March 2020

12. Income Tax Expense

	2020 HK$'000	2019 HK$'000
Current tax expense		
Hong Kong Profits Tax	**208**	397
Over provision in prior years		
Hong Kong Profits Tax	**(57)**	—
Total income tax expense for the year	**151**	397

Hong Kong Profits Tax for the years ended 31 March 2020 and 2019 is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million according to the two-tiered profits tax rates regime.

Subsidiary in Denmark is subject to Denmark Corporation Tax at 22% for the year (2019: 22%).

The income tax expense for the year can be reconciled to the loss before tax as follows:

	2020 HK$'000	2019 HK$'000
Loss before tax	**(70,729)**	(88,808)
Tax at Hong Kong Profits Tax of 16.5% (2019: 16.5%)	**(11,670)**	(14,653)
Tax effect of income not taxable for tax purposes	**(344)**	(103)
Tax effect of expenses not deductible for tax purposes	**957**	6,515
Tax effect of tax concession	**(165)**	(165)
Tax effect on tax losses not recognised	**12,126**	8,937
Over provision in prior years	**(57)**	—
Utilisation of tax losses not previously recognised	**(145)**	(31)
Effect of different tax rates of group entities operating in other jurisdictions	**(551)**	(103)
Income tax expense for the year	**151**	397

At the end of the reporting period, the Group has estimated unrecognised tax losses of approximately HK$242,005,000 (2019: approximately HK$205,870,000) to set off against future taxable income. No deferred tax asset is recognised in respect of such tax losses carried forward as the realisation of the related tax benefit through future taxable profits could not be reasonably assessed. The tax losses do not have expiry date under the current tax legislation. The Group had no material unprovided deferred tax liabilities at the end of the year of 2019 and 2020.

13. Dividends

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 March 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

14. Loss Per Share

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the loss attributable to owners of the Company for the year ended 31 March 2020 of approximately HK$70,314,000 (2019: approximately HK$85,782,000) and the weighted average number of ordinary shares of 4,709,145,735 (2019: 4,593,667,615 shares).

Diluted loss per share

No adjustment was made in calculating diluted loss per share for both years as the exercise of share options would result in decrease in loss per share. Accordingly, the diluted loss per share is same as the basic loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

15. Property, Plant and Equipment

	Land HK$'000	Mink farm buildings HK$'000	Leasehold improvement HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
COST							
At 1 April 2018	12,342	95,783	7,254	58,176	2,857	1,269	177,681
Additions	–	–	1,040	203	2,099	–	3,342
Disposal	–	–	–	–	–	(610)	(610)
Written-off	–	–	(4,213)	–	(1,401)	–	(5,614)
Exchange difference	(1,110)	(8,612)	–	(5,237)	–	(59)	(15,018)
At 31 March 2019	11,232	87,171	4,081	53,142	3,555	600	159,781
Impact on initial application of HKFRS 16	–	–	–	(1,423)	–	–	(1,423)
At 1 April 2019	11,232	87,171	4,081	51,719	3,555	600	158,358
Additions	–	–	–	–	76	–	76
Release from right-of-use assets	–	–	–	1,161	–	–	1,161
Exchange difference	(344)	(2,672)	–	(1,602)	–	(19)	(4,637)
At 31 March 2020	10,888	84,499	4,081	51,278	3,631	581	154,958
ACCUMULATED DEPRECIATION							
At 1 April 2018	–	13,263	3,984	30,057	1,252	997	49,553
Charge for the year	–	4,049	2,572	7,341	705	164	14,831
Eliminated on disposals	–	–	–	–	–	(610)	(610)
Eliminated upon written-off	–	–	(4,213)	–	(1,052)	–	(5,265)
Exchange difference	–	(1,301)	–	(2,900)	–	(42)	(4,243)
At 31 March 2019	–	16,011	2,343	34,498	905	509	54,266
Impact on initial application of HKFRS 16	–	–	–	(942)	–	–	(942)
At 1 April 2019	–	16,011	2,343	33,556	905	509	53,324
Charge for the year	–	3,877	1,111	6,415	954	85	12,442
Impairment loss recognised in profit or loss	–	7,771	–	1,391	–	–	9,162
Release from right-of-use assets	–	–	–	890	–	–	890
Exchange difference	–	(549)	–	(1,137)	–	(17)	(1,703)
At 31 March 2020	–	27,110	3,454	41,115	1,859	577	74,115
CARRYING AMOUNTS							
At 31 March 2020	10,888	57,389	627	10,163	1,772	4	80,843
At 31 March 2019	11,232	71,160	1,738	18,644	2,650	91	105,515

15. Property, Plant and Equipment *(Continued)*

The above items of property, plant and equipment, except for land, are depreciated on a straight-line basis at the following rates per annum:

Mink farm buildings	2-5%
Leasehold improvement	Shorter of 20% or lease term
Plant and machinery	5-20%
Office equipment	20%-33%
Motor vehicle	20%

Land represents the freehold land situated in Denmark. No depreciation will be provided accordingly. All buildings are located on the freehold land situated in Denmark.

As at 31 March 2019, plant and machinery with a carrying amount of HK$481,000 are assets held under finance leases.

As at 31 March 2020, plant and equipment of approximately DKK9,961,000 (approximately HK$11,404,000) were pledged to secure bank overdraft granted to the Group. (31 March 2019: approximately DKK15,718,000 (approximately HK$18,564,000)). Details of which are disclosed in Note 36 to the consolidated financial statements.

16. Right-of-Use Assets

	Leased premises HK$'000	Plant and equipment HK$'000	Total HK$'000
COST			
At 1 April 2019	15,699	1,423	17,122
Release to property, plant and equipment	—	(1,161)	(1,161)
Exchange difference	—	(26)	(26)
At 31 March 2020	15,699	236	15,935
ACCUMULATED DEPRECIATION			
At 1 April 2019	4,073	942	5,015
Charge for the year	9,211	94	9,305
Release to property, plant and equipment	—	(890)	(890)
Exchange difference	—	(17)	(17)
At 31 March 2020	13,284	129	13,413
NET CARRYING AMOUNT			
At 31 March 2020	2,415	107	2,522
Expense relating to short-term leases and other leases with lease term end within 12 months of the date of initial application of HKFRS 16			918
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets			19
Total cash outflow for leases			9,916

For both years, the Group leased various offices and plant and machinery for its operations. Lease contracts are entered into for fixed term of 16 months to 36 months.

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For the year ended 31 March 2020

16. Right-of-Use Assets *(Continued)*

Certain leases of plant and machinery were accounted for as finance leases during the year ended 31 March 2019 and carried interest ranged from Nil to 3.2% per annum. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered short-term leases for leased premises and equipment.

As at 31 March 2020, right-of-use assets of approximately DKK93,000 (approximately HK$107,000) were pledged to secure bank overdraft granted to the Group. Details of which are disclosed in Note 36 to the consolidated financial statements.

17. Goodwill

	2020 **HK$'000**	2019 HK$'000
COST		
At beginning and end of the year	**202,783**	202,783
ACCUMULATED IMPAIRMENT		
At beginning of the year	**95,969**	75,433
Impairment loss recognised in the year	**—**	20,536
At end of the year	**95,969**	95,969
CARRYING AMOUNT		
At end of the year	**106,814**	106,814

Impairment testing on Goodwill

Goodwill is assessed for impairment annually irrespective of whether there is any indication of impairment.

Goodwill has been allocated to the following CGU. At the end of the reporting period, the carrying amount of goodwill represents goodwill arising from the acquisition of:

	2020 **HK$'000**	2019 HK$'000
Securities segment	**106,814**	106,814

For the purpose of impairment testing, the recoverable amounts of the CGU are determined by value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the financial budgets approved by the management covering a 5-year period, and discount rates.

17. Goodwill *(Continued)*

Insurance brokerage segment

The recoverable amount of the goodwill is fully impaired by HK$1,424,000 in consolidated statement of profit or loss for the year ended 31 March 2019.

Securities segment

The recoverable amount of this unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial forecast prepared by the management covering a 5-year period, and pre-tax discount rate of 12.51% (2019: 14.16%). Cash flows beyond the 5-year period are extrapolated using a long term 3% growth rate. This growth rate is based on historical GDP and inflation rate. Other key assumptions for the value-in-use calculation related to the estimation of financial forecast includes budget sales and operating expenses. Such estimation is based on the past performance of the securities business and the management's expectations for market development.

The valuation was performed by an independent qualified professional valuer not connected to the Group. With reference to the professional valuation performed by the independent valuer, the management of the Group has reviewed the recoverable amount of the CGU the goodwill is allocated to, the Group recognised an impairment loss of HK$Nil in consolidated statement of profit or loss for the year ended 31 March 2020 (2019: HK$19,112,000).

18. Intangible Asset

The intangible asset represents trading rights that confer eligibility of the Company to trade on The Stock Exchange of Hong Kong Limited. The trading rights is considered by the management as having indefinite useful lives since it is expected to contribute net cash inflows to the Company indefinitely and therefore, it is required to be tested for impairment annually and it will not be amortised until its useful lives are determined to be finite.

The recoverable amount of the CGU has been determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by the management covering one-year period. The management believes that any reasonable possible change in any assumption would not cause the carrying amount of the CGU exceeds the recoverable amount. At the end of reporting period, the management determined that there is no impairment of its trading rights based on the value-in-use calculation.

19. Financial Assets at Fair Value through Profit or Loss

	2020 **HK$'000**	2019 HK$'000
Unlisted investment	**–**	11,559

The investment referred to the guaranteed investment issued by financial institution. On 9 September 2019, the investment was fully disposed.

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For the year ended 31 March 2020

20. Financial Assets at Fair Value through Other Comprehensive Income

	2020	2019
	HK$'000	HK$'000
Equity securities listed in Hong Kong (Notes a, b)	**4,950**	—

Notes:

(a) The fair values of listed securities are based on quoted market closing prices available on The Stock Exchange of Hong Kong Limited as at the end of the reporting period.

(b) These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in financial assets at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

At initial recognition, the management made an irrevocable election to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends income from such investments continue to be recognised in profit or loss as "other income" when the Group's rights to receive payments is established.

21. Biological Assets

Movements of the biological assets are as follows:

	Mated females	**Males for breeding**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
At 1 April 2018	23,371	101	23,472
Increase due to raising			
(Feeding cost and others)	15,458	11,313	26,771
Change in fair value	(8,927)	16,492	7,565
Increase due to purchase	—	520	520
Transferred to inventory	(19,945)	(27,662)	(47,607)
Exchange difference	(1,740)	(27)	(1,767)
At 31 March 2019 and 1 April 2019	8,217	737	8,954
Increase due to raising			
(Feeding cost and others)	5,843	4,326	10,169
Change in fair value	(1,760)	3,800	2,040
Transferred to inventory	(5,539)	(8,665)	(14,204)
Exchange difference	(231)	(14)	(245)
At 31 March 2020	6,530	184	6,714

21. Biological Assets *(Continued)*

The number of biological assets is as follows:

	2020	2019
Mated females	**14,107**	13,969
Males for breeding	**286**	991
At the end of the year	**14,393**	14,960

Analysed for reporting purposes as follows:

	2020 **HK$'000**	2019 HK$'000
Current assets	**6,714**	8,954
Non-current assets	**—**	—
At the end of the year	**6,714**	8,954

Mated females represent the female minks which are primarily held for further growth for the production of mink. The males for breeding are selected as breeding stock.

The fair value of the biological assets is measured at the reporting date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement".

The qualification of Valuer

The Group's biological assets were independently valued by Valplus Consulting Limited ("Valuer") as at 31 March 2020 (the "Valuation Date"). The professional valuers in charge of this valuation have appropriate qualifications and relevant experience in various appraisal assignments involving biological assets and agricultural produce. The professional valuers involved in this valuation include a CFA charterholder and have appraisal experience in a broad range of assets such as property assets, industrial assets, biological assets, mining rights and assets, technological assets and financial assets in the PRC, Hong Kong, Europe and abroad. They have previously participated in the valuation of biological assets and agricultural produce such as hogs, vegetables, fruits, grains and landscaping plants.

As stated in the International Valuation Standards 2020 Edition issued by the International Valuation Standards Council and the Hong Kong Valuation Standards 2017 Edition issued by the Hong Kong Institute of Surveyors, valuations undertaken for inclusion in a financial statement shall be provided to meet the requirements of the Hong Kong Accounting Standards, including HKAS 41 "Agriculture".

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For the year ended 31 March 2020

21. Biological Assets *(Continued)*

The qualification of Valuer *(Continued)*

Based on the above qualifications and various experience of the Valuer and/or its members in providing biological asset valuation services to various companies listed on the Stock Exchange, which engage in the husbandry and agriculture industry, the directors are of the view that the Valuer is competent to determine the fair value of the Group's biological assets.

Valuation methodology of biological assets

In the process of valuing the biological assets, the Valuer has taken into consideration the nature and specialty of the biological assets and considered that a combination of the market approach and income approach would be appropriate and reasonable in the valuation of the fair value less costs of disposal of the biological assets by making reference to the requirement of HKAS 41.

Valuation of mated females

In the valuation of mated females, under the condition of absence of market determined price, the Valuer applied the income approach to determine the present value of expected net cash flows. The cash flows are determined based on the estimated costs for raising kits until pelting, and the estimated price for skin after pelting.

Valuation of males for breeding

In the valuation of males for breeding, the Valuer applied the market approach by referring to the average market price of skin less incremental costs for pelting and selling.

Prices and costs of the biological assets

Estimation of costs per unit for the years 2020 and 2019 provided by the management are presented below:

	2020 **DKK***	2019 DKK*
Feed	**101**	124
Salary	**55**	71
Other variable cost (Note 1)	**7**	10
Lower value of male breeders (Note 2)	**1**	30
Pelting cost (Note 3)	**25**	31
Sales fee (Note 3)	**9**	9
Surplus from Kopenhagen Fur (Note 4)	**5%**	3%

Note 1: Other variable cost includes vaccination and veterinary fees.

Note 2: For mated females, using a male mink for breeding lowers the skin value of the males used as breeders.

Note 3: Pelting cost and sales fee reflect incremental costs of disposal for livestocks and are deducted from the assessed fair value.

Note 4: Surplus from Kopenhagen Fur is received by farmers from the auction body.

*: DKK stands for Danish Krone

21. Biological Assets *(Continued)*

Valuation methodology of biological assets *(Continued)*

Major inputs

The major inputs for the above models are discount rate, average skin price and birth rate. The pre-tax discount rate applied for the valuation as at the Valuation Date is 14.67% (2019: 12.03%). The average skin price applied for a mated female and a male for breeding are approximately DKK488 (2019: DKK496) and DKK566 (2019: DKK651) respectively. The birth rate applied for mated females is 5 (2019: 5).

Result

Pursuant to the above analysis and valuation method employed by the Valuer, the fair values less costs of disposal for a mated female and a male for breeding are approximately DKK404 and DKK560 (2019: approximately DKK498 and DKK630) respectively.

Valuation assumptions

In addition, the following principal assumptions have been adopted by the Valuer:

- The biological assets are properly managed with necessary care and are receiving proper veterinary care to ensure their normal growth;
- There will be no force majeure, including natural disasters that could adversely impact the condition of the biological assets;
- As a going concern, the business enterprise will successfully carry out all necessary activities for the development of its business;
- Market trends and conditions where the business enterprise operates will not deviate significantly from the economic forecasts in general;
- Key management, competent personnel and technical staff will all be retained to support the ongoing operations of the business enterprise;
- There will be no material changes in the business strategy of the business enterprise and its operating structure;
- Interest rates and exchange rates in the localities for the operations of the business enterprise will not differ materially from those presently prevailing;
- All relevant approvals, business certificates, licences or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the business enterprise operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and
- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the business enterprise operates or intends to operate, which would adversely affect the revenues and profits attributable to the business enterprise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

21. Biological Assets *(Continued)*

Sensitivity analysis

Change in the discount rate applied resulted in significant fluctuations in the change in fair value of biological assets. The following table illustrates the sensitivity of the Group's net change in fair value of biological assets to an increase or decrease by 5% in the discount rate applied for the year ended 31 March 2020.

	+5% DKK'000	**Base case DKK'000**	**+5% HK$'000**	**Base case HK$'000**
Net change in fair value	(36)	5,864	(41)	6,714

	-5% DKK'000	**Base case DKK'000**	**-5% HK$'000**	**Base case HK$'000**
Net change in fair value	37	5,864	42	6,714

The following table illustrates the sensitivity of the Group's net change in fair value of biological assets to an increase or decrease by 5% in the discount rate applied for the year ended 31 March 2019.

	+5% DKK'000	Base case DKK'000	+5% HK$'000	Base case HK$'000
Net change in fair value	(31)	7,581	(37)	8,954

	-5% DKK'000	Base case DKK'000	-5% HK$'000	Base case HK$'000
Net change in fair value	42	7,581	50	8,954

21. Biological Assets *(Continued)*

Sensitivity analysis *(Continued)*

Change in the birth rate applied resulted in significant fluctuations in the change in fair value of biological assets. The following table illustrates the sensitivity of the Group's net change in fair value of biological assets to an increase or decrease by 1 in the birth rate applied for the year ended 31 March 2020.

	Increase by 1 DKK'000	**Base case DKK'000**	**Increase by 1 HK$'000**	**Base case HK$'000**
Net change in fair value	622	5,864	712	6,714

	Decrease by 1 DKK'000	**Base case DKK'000**	**Decrease by 1 HK$'000**	**Base case HK$'000**
Net change in fair value	(622)	5,864	(712)	6,714

The following table illustrates the sensitivity of the Group's net change in fair value of biological assets to an increase or decrease by 1 in the birth rate applied for the year ended 31 March 2019.

	Increase by 1 DKK'000	Base case DKK'000	Increase by 1 HK$'000	Base case HK$'000
Net change in fair value	1,259	7,581	1,487	8,954

	Decrease by 1 DKK'000	Base case DKK'000	Decrease by 1 HK$'000	Base case HK$'000
Net change in fair value	(1,295)	7,581	(1,530)	8,954

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

21. Biological Assets *(Continued)*

Sensitivity analysis *(Continued)*

Change in the average skin price applied resulted in significant fluctuations in the change in fair value of biological assets. The following table illustrates the sensitivity of the Group's net change in fair value of biological assets to an increase or decrease by 5% in average skin price applied for the year ended 31 March 2020.

	+5% **DKK'000**	**Base case** **DKK'000**	**+5%** **HK$'000**	**Base case** **HK$'000**
Net change in fair value	1,114	5,864	1,276	6,714

	-5% **DKK'000**	**Base case** **DKK'000**	**-5%** **HK$'000**	**Base case** **HK$'000**
Net change in fair value	(1,114)	5,864	(1,276)	6,714

The following table illustrates the sensitivity of the Group's net change in fair value of biological assets to an increase or decrease by 5% in average skin price applied for the year ended 31 March 2019.

	+5% DKK'000	Base case DKK'000	+5% HK$'000	Base case HK$'000
Net change in fair value	1,477	7,581	1,744	8,954

	-5% DKK'000	Base case DKK'000	-5% HK$'000	Base case HK$'000
Net change in fair value	(1,466)	7,581	(1,731)	8,954

22. Inventories

	2020 **HK$'000**	2019 HK$'000
Trading goods		
— Pelted skins	**57,770**	54,192

During the year, an amount of HK$14,204,000 (2019: HK$47,607,000) was transferred from biological assets to inventories.

All of the inventories are carried at lower of cost or net realisable value as at 31 March 2020 and 2019 respectively.

	2020 **HK$'000**	2019 HK$'000
Carrying amount of inventories sold	**5,382**	34,717
Write-down of inventories	**3,497**	—
	8,879	34,717

The write-down of inventories made in current and prior years arose upon sale of those inventories.

23. Trade and Other Receivables, Prepayments and Deposits

	2020 HK$'000	2019 HK$'000
Trade receivables from:		
Securities brokerage business (Note a)		
— Cash clients	**36,596**	4,639
— Margin clients	**258,574**	246,864
— Clearing house	**773**	10,921
— Brokers	**—**	719
	295,943	263,143
Mink farming business (Note b)	**—**	4,310
Fur skins brokerage business (Note b)	**—**	164
	295,943	267,617
Less: Provision for impairment of trade receivables	**(14,496)**	(2,562)
	281,447	265,055
Prepayments	**1,827**	1,574
Deposits:		
Deposits with auction houses and suppliers	**4,518**	4,355
Rental, utilities and other deposits	**1,946**	1,977
Statutory deposit	**230**	275
Other receivables	**8,732**	3,070
	298,700	276,306
Analysis for reporting purpose as:		
Current assets	**298,296**	274,185
Non-current assets — Deposits	**404**	2,121
	298,700	276,306

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For the year ended 31 March 2020

23. Trade and Other Receivables, Prepayments and Deposits *(Continued)*

Notes:

(a) The settlement terms of trade receivables arising from the business of dealing in securities are two days after the trade date.

Cash clients

Trade receivables from cash clients relate to a wide range of customers for whom there was no recent history of default. These receivables are secured by their portfolios of securities. Cash clients are required to place cash deposits as prescribed in the Group's credit policy before execution of any purchase transactions. Based on assessment, the management believes that impairment allowance is necessary in respect of these balances as there are changes in credit quality and approximately HK$224,000 were impaired.

Margin clients

The Company maintains a list of approved securities collaterals for margin lending at a specified loan-to-collateral ratio. The credit facility limits granted to margin clients are determined by the discounted value of the securities collaterals accepted by the Company's management. A margin call may occur when the balances of the outstanding receivables from margin clients exceed the permitted margin loan limit, or when the discounted value of the collateral securities is less than the balances due from margin clients.

As at 31 March 2020, the fair values of the pledged securities amounted to approximately HK$521,336,000 (2019: approximately HK$680,833,000). Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or securities collaterals are required if the amount of trade receivables outstanding from margin clients exceeds the eligible margin value of securities deposited. If any significant margin call was overdue from the clients, the Company is allowed to dispose of the securities collaterals in settlements of the obligations of margin clients to maintain the agreed level of margins and any other liabilities of the margin clients due to the Company.

Clearing house and brokers

Trade receivables from a clearing house and brokers represents outstanding balance pending to be settled arising from the business of dealing in securities, which are normally due within two trading days after the trade date.

(b) The Group allows a credit period ranging from 0 day to 120 days to its customers from the business of trading in fur skin, mink farming and fur skin brokerage.

23. Trade and Other Receivables, Prepayments and Deposits *(Continued)*

The aging analysis of the Group's trade receivables from the business of securities, net of allowance for ECL, are as follows:

	2020 HK$'000	2019 HK$'000
Margin clients balances:		
No due date	**244,302**	244,302
Cash clients balances:		
Neither past due nor impaired	**32,816**	—
Past due	**3,556**	4,639
	36,372	4,639
Other balances:		
Neither past due nor impaired	**773**	11,640
	281,447	260,581

Provision of ECL allowance of trade receivables from the business of securities is as follow:

	2020 HK$'000	2019 HK$'000
Balance at beginning of the year	**2,562**	930
Provision for impairment under ECL	**13,030**	1,828
Recovery of the year	**(1,096)**	(196)
	14,496	2,562

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted and subsequent settlement up to the end of the reporting period. In the opinion of the directors of the Company, there is no further credit provision required in excess of the allowance for ECL. The Group does not hold any collateral over these balances.

Details of impairment assessment of securities business for prior and current year are set out in "financial risk management objectives and policies" in Note 42 to the consolidated financial statements.

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For the year ended 31 March 2020

23. Trade and Other Receivables, Prepayments and Deposits *(Continued)*

The aging analysis of the Group's trade receivables from the business of trading of fur skin, mink farming and fur skin brokerage, net of allowance for ECL, based on invoice dates are as follows:

	2020 **HK$'000**	2019 HK$'000
0 — 60 days	**—**	4,473
61 — 90 days	**—**	1
91 — 120 days	**—**	—
	—	4,474

Trade receivables from the business of mink farming and fur skin brokerage disclosed above include amounts which are past due for which the Group has not recognised an allowance for ECL because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements for these balances nor does it have a legal rights to offset against any amounts owed by the Group to the counterparty.

Trade receivables from the business of mink farming and fur skin brokerage that were neither past due nor impaired related to a wide range of customers for whom there is no recent history of default.

24. Loan Receivables

	2020 **HK$'000**	2019 HK$'000
Loans from money lending business — unsecured	**15,000**	36,100
Less: Provision for impairment	**—**	(96)
	15,000	36,004

The Group offered a credit period of 1 year for the loans to its customers in money lending business with interest rate ranging from 13% p.a. to 48% p.a. (2019: from 12% p.a. to 48% p.a.). The Group maintains strict control over its outstanding loans to minimise credit risk. Overdue balance is reviewed regularly by the management.

24. Loan Receivables *(Continued)*

The Company has measured the loss allowance of loan receivables by using HKFRS 9 general approach, assuming all the customers shared a similar credit risk characteristic under the life-time ECLs calculations. The default rates are based on past due days in terms of grouping the customers who have similar loss patterns. The calculation reflects the probability-weighted outcome, time value of money, and reasonable and supportable information that is available related to the past events, current conditions and forecasts of future economic conditions. Generally, loan receivables are written off in full if it is past due more than 90 days and are not subject to any enforcement activities.

The following is an aging analysis of the Group's loan receivables by age, presented based on the advancement date and net of allowance for ECL at 31 March 2020 and 2019:

	2020 **HK$'000**	2019 HK$'000
0 — 60 days	**13,500**	20,600
61 — 90 days	**—**	—
91 — 180 days	**—**	12,000
Over 180 days	**1,500**	3,404
	15,000	36,004

Loan receivables that were neither past due nor impaired related to a wide range of customers for whom there is no recent history of default.

Analysis of the ECL allowance of loan receivables is as follows:

	2020 **HK$'000**	2019 HK$'000
Balance at beginning of the year	**96**	—
Amounts written off as uncollectible	**—**	—
(Reversal of) provision for the year	**(96)**	96
Balance at end of the year	**—**	96

25. Bank Balances held on Behalf of Clients

The Group maintains segregated trust accounts with licensed banks to hold clients' monies arising from its securities business. The Group has classified clients' monies as bank balances held on behalf of clients under the current assets section of the consolidated statement of financial position and recognised the corresponding accounts payable to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use clients' monies to settle its own obligations.

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26. Bank Balances and Cash

The amounts comprise cash held by the Group and short-term bank deposits at market interest rates ranging from 0.001% to 1% (2019: from 0.001% to 0.9%) per annum with an original maturity of three months or less.

27. Trade and Other Payables

	2020 HK$'000	2019 HK$'000
Trade payables from:		
Securities brokerage business (Note a)		
— Cash clients	**13,135**	26,865
— Margin clients	**9,714**	19,523
— Clearing house	**3,349**	16,645
— Brokers	**—**	2,993
	26,198	66,026
Mink farming business (Note b)	**1,609**	6,438
Insurance brokerage business (Note c)	**5,246**	3,137
	33,053	75,601
Other payables:		
Accruals	**3,307**	5,204
Value-added tax payable	**—**	139
Other operating expenses payables	**268**	2,176
Others	**21**	20
	36,649	83,140

Notes:

(a) Trade payables to securities clients represent the monies received from and repayable to brokerage clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable rights to offset these payables with those balances received.

The trade payables from the securities business are normally settled within two trading days after the trade date except for the money held on behalf of clients at the segregated bank accounts which is repayable on demand. The money held on behalf of clients at the segregated bank accounts carries interest at prevailing interest rate of 0.01% (2019: 0.01%) per annum.

27. Trade and Other Payables *(Continued)*

Notes: (Continued)

(a) No aging analysis is disclosed as, in the opinion of directors, an aging analysis does not give additional value in view of the nature of the business.

(b) Based on the invoice dates, aging analysis of trade payables from mink farming business are as follows:

	2020 **HK$'000**	2019 HK$'000
0 — 60 days	**1,199**	246
61 — 90 days	**—**	4,264
91 — 120 days	**410**	1,928
	1,609	6,438

(c) The Group normally settles the trade payables from insurance brokerage business within 15 days of the credit term.

Based on the invoice dates, aging analysis of trade payables from insurance brokerage business are as follows:

	2020 **HK$'000**	2019 HK$'000
0 — 60 days	**4,593**	3,137
61 — 90 days	**—**	—
91 — 120 days	**—**	—
Over 120 days	**653**	—
	5,246	3,137

28. Bank Borrowings

	2020 **HK$'000**	2019 HK$'000
Term loans	**—**	112,940
Revolving loans	**35,000**	35,000
Bank overdrafts	**47,336**	51,242
	82,336	199,182

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28. Bank Borrowings *(Continued)*

The term loans and bank overdrafts were charged at an interest rate of 4.5% (2019: ranging from 4.25% to 4.75%) per annum. As at 31 March 2020, the Group repaid all the term loans. Details of assets pledged to secure the bank borrowings are disclosed in Note 36 to the consolidated financial statements.

Revolving loans are repayable within one year from the draw down date and are interest bearing at Hong Kong Inter-bank Offered Rate ("HIBOR") plus 2.5% p.a. (2019: HIBOR plus 1.7% p.a.). As at the year end, revolving loans are secured by personal guarantee from the brother of the Company's controlling shareholder and two properties (2019: two properties) owned by the sister-in-law of the Company's controlling shareholder. Both of the brother and the sister-in-law of the controlling shareholder of the Company are considered as related parties of the Group, details of which are disclosed in Note 40 to the consolidated financial statements.

The amounts repayable as extracted from agreed repayment schedules from financial institutions were as follows:

	2020 **HK$'000**	2019 HK$'000
On demand or within one year	**82,336**	197,493
More than one year but not more than two years (Note)	**—**	1,306
More than two years but not more than five years (Note)	**—**	383
	82,336	199,182

Note: These loans include a clause that gives the lender the unconditional rights to call the loans at any time, and according to HK-Int 5 which requires the classification of the whole loan containing the repayment on demand clause as current liabilities, all the loans were classified by the Group as current liabilities.

29. Lease Liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and at the date of transition to HKFRS 16:

	31 March 2020		1 April 2019 (Note)	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within one year	**2,708**	**2,751**	9,241	9,612
In more than one year but not more than two years	**—**	**—**	2,998	3,043
In more than two years but not more than five years	**—**	**—**	—	—
In more than five years	**—**	**—**	—	—
	2,708	**2,751**	12,239	12,655
Less: future finance charges		**(43)**		(416)
Present value of lease liabilities		**2,708**		12,239

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17.

30. Obligations under Finance Lease

The Group leases plant and machinery under finance leases. All leases are on a fixed repayment basis and no arrangements have been entered into for any contingent rental provisions. Under the terms of lease, the Group has the option to purchase the leased assets at a price that is expected to be sufficiently lower than the fair value of the leased assets at the end of the lease.

	2019 HK$'000
Analysed for reporting purpose as:	
Current liabilities	182
Non-current liabilities	78
	260

	Minimum lease payments 2019 HK$'000	Present value of minimum lease payments 2019 HK$'000
Amounts payable under finance leases:		
Within one year	185	182
In more than one year but not more than two years	79	78
In more than two years but not more than five years	—	—
In more than five years	—	—
	264	260
Less: Future finance charges	(4)	—
Present value of lease obligations	260	260
Less: Amounts due for settlement within 12 months (shown under current liabilities)		(182)
Amounts due for settlement after 12 months		78

The Group's obligations under finance leases are secured by the charge over the leased plant and machinery.

Finance lease obligations are denominated in Danish Krone.

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31. Amount due to a Director/Shareholder

The amounts due are unsecured, non-interest bearing and repayable on demand.

32. Corporate Bonds

At the end of the reporting period, corporate bonds were payable as follows:

	2020 **HK$'000**	2019 HK$'000
Maturity:		
Within one year	**15,500**	10,000
In more than one year but not more than two years	**8,500**	—
In more than two years but not more than five years	**24,218**	—
	48,218	10,000
Less: Amounts due for settlement within 12 months (shown under current liabilities)	**(15,500)**	(10,000)
Amounts due for settlement after 12 months (shown under non-current liabilities)	**32,718**	—

During the year, the Group has issued corporate bonds with aggregate amount of HK$45,100,000 and US$400,000 (equivalent to approximately HK$3,118,000), with tenor of 1-3 years. The bonds were issued with coupon rate and effective interest rate ranging from 6% to 9% and 6.18% to 9% respectively, which were paid either semi-annually or annually.

Both parties do not have the rights to exercise partial or full early redemption. No conversion rights was granted under the corporate bond agreements. All corporate bonds were secured by personal guarantee given by Mr. Chen Jiajun, the controlling shareholder of the Company.

33. Promissory Notes

	2020 **HK$'000**	2019 HK$'000
At beginning of the year	**—**	99,244
Addition	**3,430**	—
Imputed interest	**—**	2,457
Redemption	**—**	(101,701)
	3,430	—

33. Promissory Notes *(Continued)*

The promissory notes were issued by the Company in connection with the acquisition of the remaining 49% of total issued share capital of Kingkey Privilege Wealth Management Limited (formerly known as King Privilege Wealth Management Limited) ("KKWM") on 9 January 2020. The promissory notes represented total consideration for the acquisition.

The promissory notes are non-interest bearing and payable on maturity in July 2020. The promissory notes are initially recognised at fair value and subsequently measured at amortised cost. The discount factor is considered as closely related to the host promissory notes. The directors of the Company assessed that the principal amounts of the promissory notes amounted to HK$3,430,000 are considered approximate to fair value at the date of issuance.

34. Deferred Taxation

The following are the major deferred tax liability and asset recognised by the Group and movements thereon during the current year and prior year:

	Value adjustment of biological assets and inventories	**Accelerated tax depreciation**	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2018	2,986	2,548	(5,534)	—
Exchange difference	(269)	(200)	469	—
Charge to profit or loss	24	(1,097)	1,073	—
At 31 March 2019 and 1 April 2019	2,741	1,251	(3,992)	—
Exchange difference	(61)	(39)	100	—
Charge to profit or loss	(1,530)	(11)	1,541	—
At 31 March 2020	1,150	1,201	(2,351)	—

At the end of reporting period, the Group has unused tax losses of approximately HK$242,005,000 (2019: HK$205,870,000) available to set off against future profits that may be carried forward indefinitely. A deferred tax asset has been recognised in respect of approximately HK$10,688,000 (2019: HK$18,122,000) of such losses. No deferred tax has been recognised in respect of the remaining approximately HK$231,317,000 (2019: HK$187,748,000) due to the unpredictability of future profit streams.

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34. Deferred Taxation *(Continued)*

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balance for financial reporting purposes:

	2020 HK$'000	2019 HK$'000
Deferred tax asset	**–**	–
Deferred tax liability	**–**	–
	–	–

35. Share Capital

	Note	**Number of ordinary shares of HK$0.01 each**	**HK$'000**
Authorised:			
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020		10,000,000,000	100,000
Issued and fully paid:			
At 1 April 2018		4,556,923,015	45,569
Exercise of share options		58,566,720	586
At 31 March 2019 and 1 April 2019		4,615,489,735	46,155
Placing of shares	(a)	234,140,000	2,341
At 31 March 2020		4,849,629,735	48,496

During the year ended 31 March 2020, the movements in the Company's share capital are as follows:

(a) During the year ended 31 March 2020, a total of 234,140,000 ordinary shares were issued upon placing at an aggregate consideration of approximately HK$47,758,000 of which approximately HK$2,341,000 was credited to share capital and the remaining balance of approximately HK$45,417,000 was credited to the share premium account.

36. Pledge of Assets

The Group pledged plant and equipment of approximately DKK9,961,000 (approximately HK$11,404,000), right-of-use assets of approximately DKK93,000 (approximately HK$107,000) biological assets and inventories of approximately DKK66,924,000 (approximately HK$76,621,000) to secure banking facilities granted to the Group (31 March 2019: plant and equipment of approximately DKK15,718,000 (approximately HK$18,564,000), biological assets and inventories of approximately DKK64,700,000 (approximately HK$76,418,000), and financial assets at FVTPL with carrying amount of approximately HK$11,559,000). Other than the assets held under finance leases as at 31 March 2019 disclosed in Note 15 to the consolidated financial statements, the Group did not pledge any land and building to secure debts of the Group.

37. Operating Lease Commitment

The Group as lessee

	2019 HK$'000
Minimum lease payments paid under operating leases during the year	
Rented premises	8,190
Rented equipment	26
	8,216

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2019 HK$'000
Within one year	10,034
In more than one year but not more than two years	2,875
	12,909

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38. Share-Based Payment Transactions

The Company has two share option schemes namely, the Pre-IPO Share Option Scheme and the share option scheme ("Share Option Scheme", together with the Pre-IPO Share Option Scheme, the "Share Option Schemes"), both of which were adopted on 1 August 2012.

Pre-IPO Share Option Scheme

Pursuant to a written resolution of the Company passed on 1 August 2012, the Company has conditionally adopted the Pre-IPO Share Option Scheme on 1 August 2012 for the primary purpose of providing incentive to eligible participants. No shares in respect of which share options granted and remained outstanding under the Pre-IPO Share Option Scheme for both years of the issued share capital of the Company.

For the year ended 31 March 2019, details of the share options granted under the Pre-IPO Share Option Scheme are as follows:

	Option type	Date of grant	Exercise price	Adjusted exercise price (Note)	At 1 April 2018	Granted during the year	Exercise during the year	Lapsed during the year	At 31 March 2019
			HK$	HK$					
Directors	A	1 August 2012	0.208	0.120	57,507,840	–	(57,507,840)	–	–
Employees	B	1 August 2012	0.260	0.151	1,058,880	–	(1,058,880)	–	–
Total					58,566,720	–	(58,566,720)	–	–

Note: Since the date of grant, there were corporate transactions which triggered an adjustment on the exercise price of options granted. The adjusted exercise price referred to the adjustment resulted from the latest corporate transaction of bonus issue by the Company on 31 July 2015.

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price HK$
A	1 August 2012	1/2 portion: 1 February 2013 to 31 July 2022 1/2 portion: 1 February 2014 to 31 July 2022	0.208
B	1 August 2012	1/3 portion: 1 April 2013 to 31 July 2022 1/3 portion: 1 April 2014 to 31 July 2022 1/3 portion: 1 April 2015 to 31 July 2022	0.260

38. Share-Based Payment Transactions *(Continued)*

Share Option Scheme

The Share Option Scheme adopted by the Company on 1 August 2012, which was approved by the shareholders' written resolutions, is valid and effective for a period of 10 years. It is a share incentive scheme and is established to recognise and motivate the contribution of the eligible participants and to provide them with a direct economic interest in attaining the long term business objectives of the Company. Pursuant to the Share Option Scheme, the Board may, at its discretion, offer to grant an option to any director, employee and any advisor or consultant who has contributed or is expected to contribute to the Group.

The total number of shares in respect of which share options may be granted under the Share Option Scheme ("Share Options") must not exceed 10% of the total number of issued shares of the Company as at 26 October 2018, the date which the number of shares which may be issued under the Share Option Scheme was refreshed.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme to eligible participants in any 12-month period up to and including the date of grant shall not exceed 1% of the shares in issue at the date of grant. Any further grant of options in excess of this 1% limit shall be subjected to the approval of shareholders in a general meeting.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall not be less than the highest of:

(i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant;

(ii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; or

(iii) the nominal value of a share.

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38. Share-Based Payment Transactions *(Continued)*

Share Option Scheme *(Continued)*

For the year ended 31 March 2020, details of the share options granted under the Share Option Scheme are as follows:

	Date of grant	Exercise price HK$	At 1 April 2019	Granted during the year	Exercise during the year	Lapsed during the year	At 31 March 2020
Employees	20 September 2018- 19 September 2020	0.253	100,800,000	–	–	–	100,800,000
Total			100,800,000	–	–	–	100,800,000

As at 31 March 2019 details of the share options granted under the Share Option Scheme are as follows:

	Date of grant	Exercise price HK$	At 1 April 2018	Granted during the year	Exercise during the year	Lapsed during the year	At 31 March 2019
Employees	20 September 2018- 19 September 2020	0.253	–	100,800,000	–	–	100,800,000
Total			–	100,800,000	–	–	100,800,000

Share Options granted on 20 September 2018

The fair value of the options granted on 20 September 2018 was determined by an independent third party, Graval Consulting Limited, by using Binomial Option Pricing Model, the assumptions used to determine the value for the share options were as follows:

Vesting period	Underlying share value	Exercise multiple Note a	Risk free rate Note b	Volatility Note c	Forfeit rate Note d	Dividend yield Note e
Nil	HK$0.04685	1.983	2.1%	37.36%	Nil	Nil

38. Share-Based Payment Transactions *(Continued)*

Share Options granted on 20 September 2018 *(Continued)*

Notes:

(a) Trigger multiple early exercise of options and is based on historical early exercise period.

(b) Risk free rate represents the yields to maturity of Hong Kong Exchange Fund Bills and Notes Yield.

(c) Volatility is referred to the historical volatility of comparable companies.

(d) Forfeit rate is the time to maturity of the financial instrument.

(e) Dividend yield was based on the dividend track record and management's forecast.

The fair value of the options granted amounted to HK$4,723,000 which was charged to profit or loss on the date of grant.

39. Retirement Benefit Plans

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all its qualifying employees in Hong Kong under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme were held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees were each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme was to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The total cost recognised in profit or loss of approximately HK$902,000 (2019: approximately HK$783,000) represent contributions payable to the MPF Scheme by the Group in respect of the current year.

Pursuant to the relevant labour rules and regulations in the Denmark, the Group participates in a defined contribution retirement scheme organised by the local government, whereby the Group is required to make contributions to the pension fund scheme at a certain percentage of the employees' relevant basic salaries.

The total cost recognised in profit or loss of approximately DKK580,000 (approximately HK$674,000) (2019: DKK824,000 (approximately HK$1,000,000)) represent contributions payable to the pension fund scheme by the Group in respect of the current year.

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40. Related Party Transactions

(a) Transactions with related parties

During the year, the Group entered into the following transactions with related parties. The transactions were carried out at estimated market prices determined by the directors of the Company.

Name of related party	Nature of transaction	2020 HK$'000	2019 HK$'000
Universal Apparel Limited (Note 1)	Rental expenses of premise	**(576)**	(576)
Top Value Limited (Notes 2, 3)	Rental expenses of premise	**—**	(3,342)
Kingkey Enterprise Hong Kong Limited and KK Culture Holdings Limited (Notes 2, 4, 5, 6)	Rental expenses of premise and utilities expenses	**(7,962)**	(1,485)
Kingkey Enterprise Hong Kong Limited and KK Culture Holdings Limited (Notes 4, 5)	Utilities income	**14**	—
Easy Sino Investments Limited (Note 7)	Rental and utilities income	**892**	—

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follow:

	2020 HK$'000	2019 HK$'000
Short-term benefits	**5,572**	9,080
Post-employment benefits	**72**	72
	5,644	9,152

The remuneration of directors and key executives is determined by the Board and reviewed by the remuneration committee having regard to the performance of individuals and market trends.

40. Related Party Transactions *(Continued)*

(c) Amount due from related companies

The analysis of amount due from related companies is as follow:

Name of related companies	Maximum balance outstanding during the year HK$'000	2020 HK$'000	2019 HK$'000
Easy Sino Investments Limited (Notes 7, 9)	892	**870**	–
KK Culture Holdings Limited (Notes 5, 9)	3	**3**	–
Kingkey Enterprise Hong Kong Limited (Notes 4, 9)	63	**62**	–
Sun Long Investment Management Limited (Notes 8, 9)	35	**35**	–
Sun Long Fund SPC (Notes 8, 9)	223	**223**	–
	1,216	**1,193**	–
Less: Amount that is expected to realise within 12 months (shown under current assets)		**(1,193)**	–
Amount that is expected to realise after 12 months (shown under non-current assets)		**–**	–

Notes:

(1) Universal Apparel Limited is wholly owned by Mr. Wong Chun Chau, who is the executive director and chairman of the Company.

(2) The transaction also constituted a continuing connected transaction under the Listing Rules.

(3) Top Value Limited is wholly owned by Mr. Yan Kam Cheong, a substantial shareholder of the Company.

(4) Kingkey Enterprise Hong Kong Limited is wholly owned by Mr. Chen Jiarong, brother of the controlling shareholder of the Company, is considered as a related company to the Group.

(5) Mr. Chen Jiajun, who is the substantial shareholder of KK Culture Holdings Limited and the controlling shareholder of the Company. Therefore, KK Culture Holdings Limited is considered as a related company of the Group.

(6) The amounts were actual amounts paid to the related parties.

(7) Mr. Chen Jiajun, who is also the indirect substantial shareholder of Easy Sino Investments Limited and the controlling shareholder of the Company. Therefore, Easy Sino Investments Limited is considered as a related company of the Group.

(8) Sun Long Investment Management Limited and Sun Long Fund SPC are wholly owned by Mr. Chen Jiajun, who is also the controlling shareholder of the Company, are considered as related companies to the Group.

(9) All amounts are non-traded related, unsecured, interest free and repayable on demand.

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40. Related Party Transactions *(Continued)*

(d) Acquisition of additional interest in subsidiaries

On 9 January 2020, Noble Zenith International Limited, the wholly owned subsidiary of the Company (the "Purchaser"), entered into (i) the first agreement (the "First Agreement") with Jade Capital Investments Limited ("Jade Capital"), Innovest Group Limited ("Innovest") and Bright Skill Investments Limited ("Bright Skill") (collectively the "NCIs"), pursuant to which the Purchaser has conditionally agreed to acquire, and the NCIs have conditionally agreed to sell 1,764,000 shares in KKWM ("First Sale Shares"), representing 49% of the total issued share capital of KKWM, at a total consideration of HK$3,430,000 by issuing promissory notes which were payable within six months; and (ii) second agreement (the "Second Agreement") with the NCIs, pursuant to which the Purchaser has conditionally agreed to acquire, and the NCIs have conditionally agreed to sell 654,150 shares in Affluent Range Limited and its subsidiaries ("Affluent Range") (the "Second Sale Shares"), representing 49% of the total issued share capital of Affluent Range, at the total consideration of HK$3.

As at the date of signing the First Agreement, KKWM was owned as to (i) 24% by Jade Capital; (ii) 20% by Bright Skill; and (iii) 5% by Innovest. Since Jade Capital, Bright Skill and Innovest were non-controlling shareholders of KKWM, they were related parties of the Group. Pursuant to the First Agreement, the total consideration payable for the First Sale Shares was the amount of HK$3,430,000 which was satisfied by the Purchaser's issue of the Promissory Notes.

As at the date of signing the Second Agreement, Affluent Range was owned as to (i) 24% by Jade Capital; (ii) 20% by Bright Skill; and (iii) 5% by Innovest. Since Jade Capital, Bright Skill and Innovest, were non-controlling shareholders of Affluent Range, they were related parties of the Group. Pursuant to the Second Agreement, the total consideration payable for the Second Sale Shares was the amount of HK$3 which was satisfied by the Purchaser in cash.

(e) Personal guarantee for corporate bonds

Corporate bonds of approximately HK$48,218,000 as at 31 March 2020 were secured by personal guarantee provided by Mr. Chen Jiajun, the controlling shareholder of the Company, as disclosed in Note 32 to the consolidated financial statements.

(f) Personal guarantee and pledge of personal assets for bank borrowing

Bank borrowings of HK$35,000,000 as at 31 March 2020 were secured by personal guarantee provided by the brother of the controlling shareholder of the Company and two properties (2019: two properties) owned by a sister-in-law of the controlling shareholder of the Company, details of which are disclosed in Note 28 to the consolidated financial statements.

41. Capital Risk Management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through optimisation of the debt and equity balance. The Group's overall strategy remained unchanged as compared to that in prior year.

The capital structure of the Group consists of net debts, which includes bank borrowings, corporate bonds, and promissory notes disclosed in Notes 28, 32 and 33 to the consolidated financial statements respectively, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital, share premium and reserves.

The directors of the Company review the capital structure periodically. The directors of the Company consider the cost of capital and the risks associated with each class of capital will balance its overall capital structure through the payment of dividends, issuance of new shares as well as issuance of new debts or redemption of existing debts. No changes were made in the objectives, policies or processes as compared to those in prior years.

The Group is not subject to any externally imposed capital requirements except for certain subsidiaries which are regulated entities under the SFO and subject to the relevant minimum paid-up share capital and minimum liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). The management closely monitors, on a daily basis, the capital level of those entities to ensure compliance with the minimum capital requirements under the SF(FR)R.

The management considers the gearing ratio at the year ended was as follows:

	2020 **HK$'000**	2019 HK$'000
Total borrowings:		
Bank borrowings	**82,336**	199,182
Corporate bonds	**48,218**	10,000
Promissory notes	**3,430**	—
	133,984	209,182
Total equity	**427,138**	457,979
Gearing ratio	**31.37%**	45.68%

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42. Financial Risk Management Objectives and Policies

Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at FVTPL	–	11,559
Financial assets at FVTOCI	4,950	—
Financial assets at amortised cost:		
— Deposits	404	2,121
— Trade and other receivables and deposits (excluding prepayment)	296,469	272,611
— Loan receivables	15,000	36,004
— Amounts due from related companies	1,193	—
— Bank balances held on behalf of clients	25,445	49,011
— Bank balances and cash	42,136	100,821
	385,597	472,127

	2020 HK$'000	2019 HK$'000
Financial liabilities		
Financial assets at amortised cost:		
— Trade and other payables	36,649	83,140
— Amount due to a director	21,000	—
— Amount due to a shareholder	15,000	—
— Bank borrowings	82,336	199,182
— Lease liabilities/obligations under finance leases	2,708	260
— Corporate bonds	48,218	10,000
— Promissory notes	3,430	—
	209,341	292,582

Financial risk management objectives and policies

The Group's major financial instruments include items disclosed above under section "Categories of financial instruments". Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

42. Financial Risk Management Objectives and Policies *(Continued)*

Market risk

(a) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to trade receivables arising from cash and margin clients, loan receivables, variable-rate bank balances, trade payables to cash and margin clients, bank borrowings and lease liabilities at 31 March 2020 (see Notes 23, 24, 25, 26, 27, 28 and 29 to the consolidated financial statements for details). The Group's cash flow interest rate risk is mainly related to the fluctuation of prevailing rate quoted by the banks arising from the Group's interest-bearing financial instruments. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate corporate bonds (details disclosed in Note 32 to the consolidated financial statements). The management will monitor its exposure periodically.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bearing financial instruments. The analysis is prepared assuming the financial instruments outstanding at the end of reporting period were outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax result for the year ended 31 March 2020 would increase/decrease by HK$1,277,000 (2019: increase/decrease by HK$946,000).

(b) Foreign currency risk

The Group carries out its trading of fur skin business, fur skin brokerage business and mink farming business in Hong Kong and worldwide and most of the transactions are denominated in US$ and DKK, while the Group's securities business is mainly in Hong Kong and all the transactions are entered in HK$ primarily. Hence, mainly the sales and purchases transactions in relation to the business of trading of fur skin, fur skin brokerage and mink farming expose the Group to foreign currency risk.

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure to foreign currency risk. The management of the Group may implement foreign currency forward contracts to hedge the exposure to foreign currency risk. As the HK$ is pegged to the US$, the Group considers the risk of movements in exchange rates between the HK$ and the US$ to be insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

42. Financial Risk Management Objectives and Policies *(Continued)*

Market risk *(Continued)*

(b) Foreign currency risk *(Continued)*

At the end of the reporting period, the carrying amount of the Group's monetary assets and monetary liabilities denominated in currencies other than the respective functional currencies of the relevant group entities are as follows:

	Assets		**Liabilities**	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Danish Krone	**124,604**	114,874	**–**	–

Sensitivity analysis

The following table demonstrates the sensitivity analysis of the carrying amounts of significant monetary assets and monetary liabilities denominated in DKK at the end of the reporting period if there was a 5% (2019: 5%) change in the exchange rate of HK$ against DKK, with all other variables held constant, to the Group's profit or loss (before tax).

	Impact of DKK 2020 HK$'000	Impact of DKK 2019 HK$'000
Increase/decrease in profit or loss for the year (before tax)	**6,230**	5,744

(c) Other price risk

The Group is exposed to risk arising from the fluctuations in price of mink skin through its investment in biological assets in mink farming business. Biological assets are measured at the fair value less cost to sell, and this measurement involves the use of current market price of mink skin. The Group manages this exposure by implementing a tight control over cost of breeding. Sensitivity analysis of 5% change in price of mink skin on biological assets is disclosed in Note 21 to the consolidated financial statements .

(d) Inherent risks relating to biological assets

Biological assets are exposed to risks arising from the infectious diseases. The Group has strong policies and procedures in place for hygiene control. The Group's regional spread of farms allows high degree of mitigation against adverse conditions such as disease outbreaks.

42. Financial Risk Management Objectives and Policies *(Continued)*

Market risk *(Continued)*

(e) Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities which are classified as financial assets at FVTOCI. The fair value of these financial instruments will be affected either positively or negatively, amongst others, by the changes in the closing market prices of the relevant listed equity securities. The Group's listed investments are listed on the Stock Exchange of Hong Kong. Listed investments held in the portfolio have been chosen based on their longer-term growth potential and are monitored regularly for performance against expectations. The management manages this risk exposure by maintaining a portfolio of investments with different risk and return profiles.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to equity price risks at the end of the reporting period. If the prices of the respective equity instruments had been 5% (2019: HK$Nil) higher/lower, and held other variables constant, the other component of equity of the Group would increase/decrease by HK$248,000 (2019: HK$Nil), as a result of changes in the fair value of listed equity securities.

Credit risk

At the respective reporting dates, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk on bank balances is limited because the counterparties are banks with high credit rating assigned by international credit rating agencies.

Fur skin business, fur skin brokerage business, and mink farming business

In order to minimise the credit risk of trade receivables from trading of fur skin business, fur skin brokerage business, and mink farming business (collectively refer to the "fur business"), the management of the Group reviews the recoverable amount of each individual trade debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk in trade receivables from clients in the fur business as 0% (31 March 2019: 96%) and 0% (31 March 2019: 98%) of trade receivables were due from the Group's largest customer and the three largest customers respectively within the fur business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

42. Financial Risk Management Objectives and Policies *(Continued)*

Credit risk *(Continued)*

Securities business

The credit risk from securities business is primarily attributable to trade receivables due from clients and clearing house without taking account of the value of any collateral obtained. The management of the regulated entity has a credit policy and a team to monitor the credit risk on an on-going basis.

In order to manage the credit risk on trade receivables due from clients, individual credit evaluation is performed on all clients including cash and margin clients. Trade receivables from cash clients are generally settled within two trading days after trade date. In order to minimise the credit risk, the regulated entity has put in place monitoring procedures to ensure that overdue debts are recovered. Accordingly, the credit risk arising from the trade receivables due from cash clients is considered minimal.

For margin clients, the regulated entity normally obtains liquid securities and/or cash deposits as collateral based on the margin requirements. The margin requirement is closely monitored on a daily basis by the designated team. Market conditions and adequacy of securities collateral and margin deposits of each margin account are monitored by the management of the regulated entity on a daily basis. Margin calls and forced liquidation are made where necessary. In addition, the regulated entity reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In this regard, the management of the Group considers that the credit risk arising from securities business is significantly reduced.

In respect of trade receivables from a clearing house, credit risk is considered low as the regulated entity normally enters into transactions with a clearing house ("CCASS") which is registered with a regulatory body.

42. Financial Risk Management Objectives and Policies *(Continued)*

Credit risk *(Continued)*

Securities business *(Continued)*

ECL allowance for trade receivable arising from margin clients

The Company applies to elect the general approach to provide for expected credit loss prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for the trade receivable arising from margin clients. The expected credit losses below also incorporated forward-looking information and grouping of various categories of customers with similar loss patterns (i.e. customer type and service type) in calculation. The calculation also reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of reporting period.

Analysis of the gross carrying amount of trade receivable from margin clients is as follows:

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
As at 1 April 2018	338,402	10,097	1,571	350,070
Transfer to stage 1	2,606	(2,606)	—	—
Transfer to stage 2	(10,970)	10,970	—	—
Transfer to stage 3	—	(3,134)	3,134	—
Addition	74,519	41,033	8	115,560
Repayments	(216,352)	(532)	(1,882)	(218,766)
As at 31 March 2019 and 1 April 2019	188,205	55,828	2,831	246,864
Transfer to stage 1	24,988	(24,050)	(938)	—
Transfer to stage 2	—	—	—	—
Transfer to stage 3	(916)	(21,070)	21,986	—
Addition	63,720	—	74,472	138,192
Repayments	(114,504)	(10,708)	(1,270)	(126,482)
As at 31 March 2020	161,493	—	97,081	258,574

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For the year ended 31 March 2020

42. Financial Risk Management Objectives and Policies *(Continued)*

Credit risk *(Continued)*

Securities business *(Continued)*

ECL allowance for trade receivable arising from margin clients *(Continued)*

Analysis of the ECLs allowance for trade receivable arising from margin clients is as follows:

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
Balance as at 1 April 2018	508	182	240	930
Transfer to stage 1	47	(47)	—	—
Transfer to stage 2	(16)	16	—	—
Transfer to stage 3	—	(56)	56	—
Recoveries	(196)	—	—	(196)
Net remeasurement of ECL without transfer of stage	(33)	15	45	27
Net remeasurement of ECL arising from transfer of stage	(46)	730	767	1,451
New lending	18	332	—	350
Balance as at 31 March 2019 and at 1 April 2019	282	1,172	1,108	2,562
Transfer to stage 1	974	(505)	(469)	—
Transfer to stage 2	—	—	—	—
Transfer to stage 3	—	(442)	442	—
Recoveries	(518)	(225)	(353)	(1,096)
Net remeasurement of ECL arising from transfer of stage	(539)	—	7,409	6,870
New lending	45	—	5,891	5,936
Balance as at 31 March 2020	244	—	14,028	14,272

ECL allowance for trade receivable arising from cash clients, clearing house and brokers

For the trade receivables arising from cash clients, clearing house and brokers, there has not been a significant increase in credit risk since its initial recognition and are not credit-impaired at the end of reporting period. For the year ended 31 March 2020, the Group assessed the ECL for trade receivable arising from cash clients, an impairment loss of HK$224,000 (2019: HK$Nil) was recognised in profit or loss.

42. Financial Risk Management Objectives and Policies *(Continued)*

Credit risk *(Continued)*

Securities business *(Continued)*

ECL allowance for trade receivable arising from cash clients, clearing house and brokers *(Continued)*

As at 31 March 2020, other than the concentration of credit risk on trade receivables from a clearing house and bank balances (including segregated account and house account), the Company has a concentration risk on trade receivables from clients, with 86% (2019: 24%) and 98% (2019: 43%) of the total trade receivables due from the Company's largest customer and three largest customers, respectively.

ECL allowance for other receivables, deposits and amounts due from related companies

For other receivables, deposits and amounts due from related companies, the management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also reasonable and supportive forward-looking information starting from 1 April 2019. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables, deposits and amounts due from related companies.

Money lending

In respect of loan receivables from clients, the objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem. It is the Group's policy that all clients who wish to obtain loans from the Group are subject to management review. Receivables balances are monitored on an ongoing basis, the management makes periodic collective assessment as well as individual assessment on the recoverability of loans, loans receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and any other qualitative factors and ensure that follow-up action is taken to recover overdue debts. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each client rather than the industry or country in which the clients operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual clients. As at 31 March 2020, 67% (2019: 56%) and 90% (2019: 85%) of the total loan receivables due from clients were from the Group's largest client and the three largest clients.

Liquidity risk

The Group monitors its current and expected liquidity requirements regularly and ensures sufficient liquid cash and adequate committed lines of funding from reputable financial institutions are available to meet the Group's liquidity requirements in the short and long term.

At 31 March 2020, the Group has available banking facilities of HK$93 million (2019: HK$265 million) in which HK$82 million were utilised. Details of bank borrowings are set out in Note 28 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

42. Financial Risk Management Objectives and Policies *(Continued)*

Liquidity risk *(Continued)*

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the agreed repayment date. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

	At 31 March 2020					
	Weighted average interest rate %	On demand HK$'000	Within 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Financial liabilities						
Trade and other payables	–	36,649	–	–	36,649	36,649
Amount due to a director	–	21,000	–	–	21,000	21,000
Amount due to a shareholder	–	15,000	–	–	15,000	15,000
Bank borrowings						
– due within one year	4.5-5.0	82,347	–	–	82,347	82,336
Leases liabilities/obligation under finance leases	5.0	–	2,751	–	2,751	2,708
Corporate bonds	6.0-9.0	–	18,698	36,139	54,837	48,218
Promissory notes	–	–	3,430	–	3,430	3,430
		154,996	24,879	36,139	216,014	209,341

	At 31 March 2019					
	Weighted average interest rate %	On demand HK$'000	Within 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Financial liabilities						
Trade and other payables	–	83,140	–	–	83,140	83,140
Bank borrowings						
– due within one year	4.3-4.8	199,382	–	–	199,382	199,182
Obligations under finance leases	0-3.2	–	185	79	264	260
Corporate bond	5.5	–	10,000	–	10,000	10,000
		282,522	10,185	79	292,786	292,582

42. Financial Risk Management Objectives and Policies *(Continued)*

Fair value

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31 March **2020** **HK$'000**	 2019 HK$'000	Fair value hierarchy	Valuation technique(s) and key inputs
Financial assets at fair value through profit or loss	**–**	11,559	Level 2	Quoted value from financial institution
Financial assets at fair value through other comprehensive income	**4,950**	—	Level 1	Quoted bid prices in an active market

There were no transfers between Level 1, 2 and 3 in both years.

43. Offsetting Financial Assets and Financial Liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

The Group currently has a legally enforceable rights to set off the trade receivables arising from clearing house, cash clients and margin clients and the trade payables to them respectively, and it intends to settle on a net basis.

For the trade receivable or payable to cash clients, they do not meet the criteria for offsetting in the consolidated statement of financial position since the rights of set-off of the recognised amounts is only enforceable following an event of default. If addition, the Group does not intend to settle the balances on a net basis.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

The gross amounts of the recognised financial assets and financial liabilities and their net amounts as presented in the Group's consolidated statement of financial position are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

43. Offsetting Financial Assets and Financial Liabilities *(Continued)*

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements *(Continued)*

	Gross amounts of recognised financial assets/ liabilities HK$'000	Gross amounts of recognised financial liabilities/ set off in the consolidated statement of financial position HK$'000	Net amounts presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial collateral pledged HK$'000	Net amount HK$'000
As at 31 March 2020						
Financial assets						
Trade receivables						
– Clearing house (Note 23)	975	202	773	–	–	773
– Cash clients (Note 23)	38,562	1,966	36,596	36,368	–	228
– Margin clients (Note 23)	260,029	1,455	258,574	–	241,694	16,880
	299,566	3,623	295,943	36,368	241,694	17,881
Financial liabilities						
Trade payables						
– Clearing house (Note 27)	3,551	202	3,349	–	–	3,349
– Cash clients (Note 27)	15,101	1,966	13,135	–	–	13,135
– Margin clients (Note 27)	11,169	1,455	9,714	–	–	9,714
	29,821	3,623	26,198	–	–	26,198

43. Offsetting Financial Assets and Financial Liabilities *(Continued)*

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements *(Continued)*

	Gross amounts of recognised financial assets/ liabilities HK$'000	Gross amounts of recognised financial liabilities/ set off in the consolidated statement of financial position HK$'000	Net amounts presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial collateral pledged HK$'000	Net amount HK$'000
As at 31 March 2019						
Financial assets						
Trade receivables						
– Clearing house (Note 23)	12,192	1,271	10,921	–	–	10,921
– Brokers (Note 23)	719	–	719	–	–	719
– Cash clients (Note 23)	5,489	850	4,639	4,553	–	86
– Margin clients (Note 23)	261,298	14,434	246,864	–	237,312	9,552
	279,698	16,555	263,143	4,553	237,312	21,278
Financial liabilities						
Trade payables						
– Clearing house (Note 27)	17,916	1,271	16,645	–	–	16,645
– Brokers (Note 27)	2,993	–	2,993	–	–	2,993
– Cash clients (Note 27)	27,715	850	26,865	–	–	26,865
– Margin clients (Note 27)	33,957	14,434	19,523	–	–	19,523
	82,581	16,555	66,026	–	–	66,026

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For the year ended 31 March 2020

44. Particulars of Principal Subsidiaries

(a) General information of subsidiaries

Name of subsidiaries	Place of incorporation	Paid up issued/ registered ordinary share capital HK$/US$/DKK	Percentage of equity attributable to the Company Direct	Indirect	Principal activities and place of operation
Loyal Speed Limited	British Virgin Islands	US$100	–	100%	Provision of fur brokerage and financing services/ Hong Kong
Trade Region Limited	British Virgin Islands	US$2	100%	–	Investment holdings/ Hong Kong
UKF (Denmark) A/S	Denmark	DKK500,000	–	100%	Mink farming/Denmark
Kingkey Finance Limited (Formerly known as UKF Finance Limited)	Hong Kong	HK$1,000,000	100%	–	Money lending/Hong Kong
U.K. Fur Limited	British Virgin Islands	US$10,000	–	100%	Trading of fur skins/Hong Kong
Kingkey Management Limited (Formerly known as UKF Management Limited)	Hong Kong	HK$10,000	100%	–	Provision of management services/Hong Kong
Pearl Bay Investments Limited	British Virgin Islands	US$1	100%	–	Investment holdings/Hong Kong

44. Particulars of Principal Subsidiaries *(Continued)*

(a) General information of subsidiaries *(Continued)*

Name of subsidiaries	Place of incorporation	Paid up issued/ registered ordinary share capital HK$/US$/DKK	Percentage of equity attributable to the Company Direct	Indirect	Principal activities and place of operation
Kingkey Securities Group Limited (Formerly known as Great Roc Capital Securities Limited)	Hong Kong	HK$200,000,000	–	100%	Provision of securities brokerage services/ Hong Kong
Apex Height Investments Limited	British Virgin Islands	US$1	–	100%	Investment holdings/ Hong Kong
Kingkey Asset Management Limited (Formerly known as Great Roc Asset Management Limited)	Hong Kong	HK$4,000,000	–	100%	Provision of asset management services/ Hong Kong
Kingkey Captial Limited (Formerly known as Great Roc Corporate Finance Limited)	Hong Kong	HK$1	–	100%	Inactive/Hong Kong
Noble Zenith International Limited	British Virgin Islands	US$1	100%	–	Investment holdings/ Hong Kong
Affluent Range Limited	British Virgin Islands	US$1,335,000 (2019:US$50,000)	–	100% (2019: 51%)	Investment holdings/ Hong Kong

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

44. Particulars of Principal Subsidiaries *(Continued)*

(a) General information of subsidiaries *(Continued)*

Name of subsidiaries	Place of incorporation	Paid up issued/ registered ordinary share capital HK$/US$/DKK	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities and place of operation
Kingkey Privilege Wealth Management Limited (Formerly known as King Privilege Wealth Management Limited)	Hong Kong	HK$3,600,000	–	100% (2019: 51%)	Provision of wealth management services/ Hong Kong
Kingkey Family Office Limited (Formerly known as King Privilege Family Office Limited)	Hong Kong	HK$10,000	–	100% (2019: 51%)	Provision of wealth management services/ Hong Kong
Kingkey Privilege Management Services Limited (Formerly known as King Privilege Management Services Limited)	Hong Kong	HK$1	–	100% (2019: 51%)	Provision of management services/Hong Kong
Kingkey Investment Fund SPC	Cayman Islands	US$1	–	100%	Inactive/Cayman Islands

None of the subsidiaries had any debt securities outstanding at the end of the year.

44. Particulars of Principal Subsidiaries *(Continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiary of the Group that has material non-controlling interests at the end of the current year:

Name of subsidiary	Place of incorporation/ operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Kingkey Privilege Wealth Management Limited (Formerly known as King Privilege Wealth Management Limited)	Hong Kong	**–**	49%	**1,989**	(67)	**–**	409

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Kingkey Privilege Wealth Management Limited (Formerly known as King Privilege Wealth Management Limited)

	2020 HK$'000	2019 HK$'000
Current assets	**–**	7,180
Non-current assets	**–**	1,941
Current liabilities	**–**	8,287
Equity attributable to the owners of the Company	**–**	425
Non-controlling interests	**–**	409

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For the year ended 31 March 2020

44. Particulars of Principal Subsidiaries *(Continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

Kingkey Privilege Wealth Management Limited (Formerly known as King Privilege Wealth Management Limited) *(Continued)*

	1 April 2019 to 31 December 2019 HK$'000	1 April 2018 to 31 March 2019 HK$'000
Revenue	**70,101**	40,918
Expenses	**(66,042)**	(41,054)
Gain (loss) for the year	**4,059**	(136)
Gain (loss) attributable to the owners of the Company	**2,070**	(69)
Gain (loss) attributable to the non-controlling interests	**1,989**	(67)
Profit (loss) for the year	**4,059**	(136)
Net cash inflow from operating activities	**8,065**	2,880
Net cash outflow from investing activities	**(5,367)**	(2,012)
Net cash (outflow) inflow from financing activities	**(600)**	1,884
Net cash inflow	**2,098**	2,752

44. Particulars of Principal Subsidiaries *(Continued)*

(c) Acquisition of additional interests in subsidiaries

On 9 January 2020, the Group entered into a sale and purchase agreement with the non-controlling interests of subsidiaries in respect of the acquisition of 49% equity interest in KKWM and Affluent Range for a consideration of HK$3,430,000, by issuing promissory notes which were payable within six months and at a cash consideration of HK$3 respectively. Amount of approximately HK$1,432,000 (being the proportionate share of the carrying amount of the net assets of subsidiaries) has been reduced from non-controlling interests and the difference between the consideration paid and the carrying amount of the additional interests acquired by the Group of approximately HK$1,998,000 was debited to equity as other reserve during the year. The effect of the acquisition on the equity attributable to the owners of the Company at the completion date is as follows:

	HK$'000
Carrying amount of non-controlling interests acquired	1,432
Consideration paid for non-controlling interests	(3,430)
Loss on acquisition recognised directly in equity	(1,998)

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For the year ended 31 March 2020

45. Statement of Financial Position and Reserves of the Company

	2020 HK$'000	2019 HK$'000
Non-current assets		
Plant and equipment	16	22
Investment in subsidiaries	8,210	8,210
Financial assets at fair value through other comprehensive income	4,950	—
	13,176	8,232
Current assets		
Prepayment	385	403
Amounts due from subsidiaries	356,348	347,419
Amounts due from related companies	252	—
Loan to a subsidiary	98,012	114,815
Bank balances and cash	11,254	4,668
	466,251	467,305
Current liabilities		
Other payable and accruals	2,223	1,680
Amounts due to subsidiaries	30,699	29,718
Amounts due to a shareholder	15,000	—
Loan from a subsidiary	31,000	—
Corporate bonds	15,307	10,000
	94,229	41,398
Net current assets	372,022	425,907
Total assets less current liabilities	385,198	434,139
Non-current liability		
Corporate bonds	29,621	—
	29,621	—
Net assets	355,577	434,139
Capital and reserve		
Share capital	48,496	46,155
Reserves	307,081	387,984
	355,577	434,139

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 24 June 2020 and are signed on its behalf by:

WONG CHUN CHAU
DIRECTOR

KWOK YIN NING
DIRECTOR

45. Statement of Financial Position and Reserves of the Company *(Continued)*

Movement in the Company's reserves

	Share premium HK$'000	Share option reserve HK$'000	Investments revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2019	619,545	2,950	—	(179,663)	442,832
Loss for the year	—	—	—	(66,046)	(66,046)
Total comprehensive expense for the year	—	—	—	(66,046)	(66,046)
Exercise of share options	9,425	(2,950)	—	—	6,475
Employee share option	—	4,723	—	—	4,723
At 31 March 2019 and 1 April 2019	628,970	4,723	—	(245,709)	387,984
Loss for the year	—	—	—	(121,270)	(121,270)
Other comprehensive expense for the year					
Fair value changes of financial assets at fair value through other comprehensive income	—	—	(5,050)	—	(5,050)
Total comprehensive expense for the year	—	—	(5,050)	(121,270)	(126,320)
Issue of shares by placing	45,417	—	—	—	45,417
At 31 March 2020	674,387	4,723	(5,050)	(366,979)	307,081

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

46. Major Non-Cash Transactions

During the year, the Group had non-cash additions to acquire the remaining 49% equity interest in KKWM for a consideration of HK$3,430,000 by issuing promissory notes which were payable within six months, in respect of promissory notes are considered as non-cash transaction.

47. Reconciliation of Liabilities Arising from Financing Activities

	Interest payables from financing activities HK$'000	Bank borrowings (Note 28) HK$'000	Lease liabilities/ obligations under finance leases (Notes 29, 30) HK$'000	Amount due to a director (Note 31) HK$'000	Amount due to a shareholder (Note 31) HK$'000	Promissory notes (Note 33) HK$'000	Corporate bonds (Note 32) HK$'000	Total HK$'000
At 1 April 2018	860	169,000	665	–	–	99,244	10,000	279,769
Changes from financing cash flows:								
Raise	–	214,044	–	–	–	–	–	214,044
Repayment	(8,286)	(178,247)	(354)	–	–	(108,800)	–	(295,687)
Other changes:								
Interest expenses	8,286	–	–	–	–	–	–	8,286
Imputed interest	–	–	–	–	–	2,457	–	2,457
Loss on early redemption	–	–	–	–	–	7,099	–	7,099
Exchange differences	(7)	(5,615)	(51)	–	–	–	–	(5,673)
At 31 March 2019	853	199,182	260	–	–	–	10,000	210,295
Adjustment on application of HKFRS 16	–	–	11,979	–	–	–	–	11,979
At 1 April 2019	853	199,182	12,239	–	–	–	10,000	222,274
Changes from financing cash flows:								
Raise	–	208,905	–	21,000	15,000	–	48,218	293,123
Repayment	(7,601)	(324,180)	–	–	–	–	(10,000)	(341,781)
Capital element of lease rentals paid	–	–	(9,527)	–	–	–	–	(9,527)
Interest element of lease rental paid	–	–	(389)	–	–	–	–	(389)
Other changes:								
Acquisition of a subsidiary	–	–	–	–	–	3,430	–	3,430
Interest expenses	7,980	–	389	–	–	–	–	8,369
Exchange differences	–	(1,571)	(4)	–	–	–	–	(1,575)
At 31 March 2020	1,232	82,336	2,708	21,000	15,000	3,430	48,218	173,924

48. Reclassification

Certain comparative figures have been reclassified to conform to the current year's presentation.

49. Events After The Reporting Period

The outbreak of novel coronavirus (COVID-19) continues to spread throughout China and to countries across the world. The COVID-19 has certain impacts on the business operations of the Group. The Group has taken prompt preventive and protective measures to mitigate the adverse impacts of the outbreak on its business. The Group will keep paying attention to the change of the situation and make timely response and adjustments in the future, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the report, the assessment is still in progress.

FINANCIAL SUMMARY

For the year ended 31 March 2020

Results

	For the years ended 31 March				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Revenue	219,729	129,989	200,268	113,546	**125,041**
Loss before tax	(93,350)	(103,009)	(543)	(88,808)	**(70,729)**
Income tax expense	(1,092)	(1,363)	(7,366)	(397)	**(151)**
Loss for the year	(94,442)	(104,372)	(7,909)	(89,205)	**(70,880)**
Loss for the year attributable to:					
Owners of the Company	(94,442)	(104,372)	(6,710)	(85,782)	**(70,314)**
Non-controlling interests	—	—	(1,199)	(3,423)	**(566)**
	(94,442)	(104,372)	(7,909)	(89,205)	**(70,880)**

Assets and Liabilities

	For the years ended 31 March				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Total assets	471,133	840,431	962,426	757,253	**643,114**
Total liabilities	(185,007)	(413,455)	(414,134)	(299,274)	**(215,976)**
Non-controlling interests	—	—	(475)	2,757	**—**
Equity attributable to the owners of the Company	286,126	426,976	547,817	460,736	**427,138**