



**KINGKEY  
FINANCIAL  
INTERNATIONAL**

# 2020 INTERIM 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. CHEN Jiajun  
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

### Authorised Representatives

Mr. WONG Chun Chau  
Ms. KWOK Yin Ning

### 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

### Corporate Website

[www.kkgroup.com.hk](http://www.kkgroup.com.hk)

### Auditor

Confucius International CPA Limited

### Principal Bankers

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

### Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
PO Box 2681, Grand Cayman  
KY1-1111, Cayman Islands

### Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### Registered Office

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

### Headquarters and Principal Place of Business

902, Harbour Centre, Tower 2  
8 Hok Cheung Street, Hunghom  
Kowloon, Hong Kong

### Stock Code

1468

### Listing Dates

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

## CHAIRMAN'S STATEMENT

I hereby present the unaudited condensed consolidated interim results of Kingkey Financial International (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") for the six months ended 30 September 2020.

### Business Review

The business environment in the first half of our 2020/21 financial year has become more difficult but the diversification of our business allows the Group to extend to more revenue source amid the current dire situation.

### Securities

The performance of our securities business was unexpectedly well. Despite the rage of the COVID-19 pandemic, the atmosphere of the Hong Kong stock market was hot. The influx of capital contributes over HK\$100 billion of daily turnover for a long period of time that benefited our securities business by increasing our brokerage commission and margin interest income. Also, the re-activation of the stock market stimulated more underwriting and placing activities that we earned more commission income arising from these transactions. For the six months ended 30 September 2020, revenue increased by approximately 27.8% to approximately HK\$20.7 million (2019: approximately HK\$16.2 million).

### Insurance Brokerage

Kingkey Privilege Wealth Management Limited ("KKWM") is the insurance brokerage arm of the Group. It is registered with the Insurance Authority ("IA") and Mandatory Provident Fund Schemes Authority ("MPFA") and is operating a team of over 110 experienced insurance professionals, representing over 25 major life and general insurance providers. Up to 30 September 2020, it has been managing about 5,900 insurance and mandatory provident fund policies for over 4,400 clients. Due to the outbreak of the COVID-19, the interruption of business greatly reduced the marketability coverage of our wealth management services. For the six months ended 30 September 2020, KKWM has handled over 680 new insurance policies for about 680 clients and accumulated total Annualized First Year Premium ("AFYP") amount of over HK\$40.9 million (2019: HK\$206 million); with total Annualized First Year Commission ("AFYC") amount of over HK\$15.5 million (2019: over HK\$84 million).

### Fur

During the period from April to September 2020, fur auction selling had resumed. Copenhagen Fur held physical auctions in August and September while Saga Furs in September. The buying atmosphere in September for mink skins was good. With the predicting decrease of at least half of the production worldwide, most furriers were expecting a healthy mink price next year. Actually it will also depend on the winter fur garments selling situation, especially in China and Russia.

### Asset management and money lending

Business of provision of asset management service are growing as the demand of tailor made asset management became more keen. For the six months ended 30 September 2020, provision of asset management business recorded a revenue of approximately HK\$3,951,000 (2019: Nil).

## CHAIRMAN'S STATEMENT

Meanwhile, the performance of money lending business remains stable. For the six months ended 30 September 2020, revenue is slightly decreased by approximately 4.5% to approximately HK\$2,539,000 (2019: approximately HK\$2,658,000). For the six months ended 30 September 2020, none of the debtors 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.

### Prospects

The COVID-19 pandemic has hit almost all industries and posted extremely difficult situations to the businesses. Impacted by the epidemic, the Hong Kong economy has been facing the worst time in the recent 15 years with unemployment rate surged to the latest 6.4%. In addition to the disruption of connection with the mainland China, the prospect of wealth management business to China individuals and enterprises is expected to be limited in short term until the threat of the pandemic is cleared.

On the other hand, as benefited by the revitalizing of the stock market, the commission income from securities brokerage and placing and underwriting activities and interest income from margin clients showed some improvement in the first half of this financial year. We expect the trend will continue to the second half given that no material adverse events to occur.

Looking ahead, the Group will continue to step up efforts to develop individual and corporate clients. At the same time, the Group shall constantly optimize and upgrade its wealth management platform and improve its product and services lines, to enhance the synergy among wealth management, asset management and other business.

For fur business, the fur trade is inevitably affected by the global economic downturn together with the outbreak of the pandemic. The mink supply for next year is, therefore, highly likely to be reduced by half. We originally had a good plan for expanding the mink production for next year in view of the much decrease in mink supply. However, subsequently in early November 2020 the Danish government has found that minks carry the Corona virus that they have decided to kill all minks within the country and to ban mink farming next year. As all the minks of the Company had reached the age for pelting and have all been pelted in November 2020, the financial impact on the fur business in this regard is considered minimal for this financial year. The pelted mink skins will be partly sold in next year and partly the year after and it is expected the revenue from mink farming will be even better due to the shortage in mink skin supply. Currently, we are waiting for a comprehensive compensation proposal from the Danish government on the mink farming business. Appropriate disclosure will be announced in due course when such proposals are crystalised.

**Wong Chun Chau**

*Chairman*

Hong Kong, 27 November 2020

The Board presents the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2020 together with the comparative figures for the corresponding period in 2019, as follows:

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

For the six months ended 30 September 2020

	Notes	Six months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	3	81,970	66,802
Cost of sales		(49,380)	(43,448)
<b>Gross profit</b>		<b>32,590</b>	23,354
Other income	4	4,372	2,821
Other gains and losses, net	5	2,531	6,218
Provision for impairment of trade receivables, net		—	(998)
Administrative expenses		(44,723)	(40,024)
Finance costs	6	(4,757)	(5,732)
<b>Loss before tax</b>	7	<b>(9,987)</b>	(14,361)
Income tax expense	8	(2,084)	(811)
<b>Loss for the period</b>		<b>(12,071)</b>	(15,172)
<b>Other comprehensive income (expense)</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of overseas operations		6,376	(3,979)
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Fair value changes of financial assets at fair value through other comprehensive income		80	—
<b>Other comprehensive income (expense) for the period, net of tax</b>		<b>6,456</b>	(3,979)
<b>Total comprehensive expense for the period</b>		<b>(5,615)</b>	(19,151)
(Loss) profit for the period attributable to:			
Owners of the Company		(12,071)	(15,202)
Non-controlling interests		—	30
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(5,615)	(19,181)
Non-controlling interests		—	30
<b>Loss per share</b>	10		
Basic		(0.25) cents	(0.33) cents
Diluted		(0.25) cents	(0.33) cents

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

	Notes	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	84,974	80,843
Right-of-use assets	11	1,303	2,522
Goodwill		106,814	106,814
Intangible asset	11	500	500
Financial assets at fair value through other comprehensive income		28,301	4,950
Deposits	12	500	404
		<b>222,392</b>	196,033
<b>Current assets</b>			
Biological assets		15,294	6,714
Inventories		40,583	57,770
Trade and other receivables, prepayments and deposits	12	291,486	298,296
Amount due from related companies		2,042	1,193
Loan receivables	13	26,103	15,000
Interest receivables		12	—
Tax recoverable		—	527
Bank balances held on behalf of clients		63,693	25,445
Bank balances and cash		62,648	42,136
		<b>501,861</b>	447,081
<b>Current liabilities</b>			
Trade and other payables	14	83,061	36,649
Tax payables		8,634	6,635
Bank borrowings	15	81,990	82,336
Lease liabilities		1,058	2,708
Amount due to a related company	16	2,907	—
Amount due to a director	16	22,235	21,000
Amount due to a shareholder	16	1,056	15,000
Corporate bonds	17	40,500	15,500
Promissory notes	18	—	3,430
		<b>241,441</b>	183,258
<b>Net current assets</b>		<b>260,420</b>	263,823
<b>Total assets less current liabilities</b>		<b>482,812</b>	459,856
<b>Non-current liabilities</b>			
Lease liabilities		283	—
Corporate bonds	17	61,006	32,718
		<b>61,289</b>	32,718
<b>Net assets</b>		<b>421,523</b>	427,138
<b>Capital and reserves</b>			
Share capital	19	48,496	48,496
Reserves		373,027	378,642
<b>Total equity</b>		<b>421,523</b>	427,138

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Attributable to the owners of the Company								Attributable to non-controlling interests	Total	
	Share capital	Share premium	Merger reserve	Share-based payment reserve	Investments revaluation reserve	Translations reserve	Other reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Sub-total HK\$'000	HK\$'000	HK\$'000
At 1 April 2019 (audited)	46,155	628,970	(7,122)	4,723	–	(19,219)	–	(192,968)	460,539	(2,913)	457,626
Other comprehensive expense for the period	–	–	–	–	–	(3,979)	–	–	(3,979)	–	(3,979)
(Loss) profit for the period	–	–	–	–	–	–	–	(15,202)	(15,202)	30	(15,172)
At 30 September 2019 (unaudited)	46,155	628,970	(7,122)	4,723	–	(23,198)	–	(208,170)	441,358	(2,883)	438,475
At 1 April 2020 (audited)	48,496	674,387	(7,122)	4,723	(5,050)	(23,016)	(1,998)	(263,282)	427,138	–	427,138
Other comprehensive income for the period	–	–	–	–	80	6,376	–	–	6,456	–	6,456
Loss for the period	–	–	–	–	–	–	–	(12,071)	(12,071)	–	(12,071)
At 30 September 2020 (unaudited)	48,496	674,387	(7,122)	4,723	(4,970)	(16,640)	(1,998)	(275,353)	421,523	–	421,523



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Notes	Six months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Operating activities</b>			
Cash generated from operations		13,983	52,564
Interest paid		(2)	(918)
Tax refund		442	—
<b>Net cash generated from operating activities</b>		<b>14,423</b>	<b>51,646</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment	11	(2,951)	(76)
Acquisition of financial assets at fair value through other comprehensive income		(23,271)	—
Other cash flows arising from investing activities		255	585
<b>Net cash (used in) generated from investing activities</b>		<b>(25,967)</b>	<b>509</b>
<b>Financing activities</b>			
Redemption of promissory notes	18	(3,430)	—
Addition of corporate bonds		39,289	—
Capital element of lease rentals paid		(2,188)	(4,896)
Interest element of lease rentals paid		(49)	(261)
Other cash flows arising from financing activities		(2,780)	(94,131)
<b>Net cash generated from (used in) financing activities</b>		<b>30,842</b>	<b>(99,288)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>19,298</b>	<b>(47,133)</b>
<b>Cash and cash equivalents at 1 April</b>		<b>42,136</b>	<b>100,821</b>
Effect of foreign exchange rate changes, net		1,214	(1,015)
<b>Cash and cash equivalents at 30 September</b>		<b>62,648</b>	<b>52,673</b>
<b>Cash and cash equivalents represented by</b>			
Bank balances and cash		62,648	52,673

# NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

## 1. General Information

The Company was incorporated in the Cayman Islands on 31 March 2011 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and 902, Harbour Centre, Tower 2, 8 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong respectively.

## 2(a). Basis of Preparation and Accounting Policies

This unaudited condensed consolidated interim financial information for the six months ended 30 September 2020 has been prepared in accordance with Hong Kong Accounting Standards (“HKASs”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This unaudited condensed consolidated interim financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2020, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKASs and HKFRSs issued by the HKICPA that are relevant for the preparation of the Group’s unaudited condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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

## NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

### 2(a). Basis of Preparation and Accounting Policies (Continued)

#### Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the unaudited condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2021.

#### Accounting policies newly applied by the Group

##### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Grants relating to compensation of expenses are deducted from the related expenses.

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 <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021, earlier application permitted

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022, earlier application permitted

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023, earlier application permitted

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

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 positions.

# NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

## 2(b). Financial Risk Management

### Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk, price risk and inherent risk), credit risk, liquidity risk and fair value risk.

The unaudited condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 March 2020.

There have been no changes in the risk management policies of the Group since year ended.

### Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique 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.

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs
	30 September 2020	31 March 2020		
	HK\$'000 (unaudited)	HK\$'000 (audited)		
Financial asset at fair value through other comprehensive income ("FVTOCI")	6,350	4,950	Level 1	Quoted bid price in an active market
Financial asset at fair value through other comprehensive income ("FVTOCI")	21,951	—	Level 2	Quoted value from financial institution

During the six months ended 30 September 2020, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

During the six months ended 30 September 2020, there were no transfers between levels of fair value estimation and no change in valuation techniques in financial assets or financial liabilities.

## NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

### 3. Segment and Revenue Information

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the Board) in order to allocate resources to the segment and to assess its performance.

The Board reviewed the sales performance of the goods and services delivered or provided for the purpose of resources allocation and performance assessment and considered that the Group operates in five business units based on their products, and has five reportable and operating segments: securities, insurance brokerage, fur, asset management and money lending.

#### Segment revenue and results

Information reported to the chief operating decision maker for the purpose of resources 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	—	Operation of securities brokerage, margin financing, underwriting, placing and consultancy services
Insurance brokerage	—	Provision of insurance brokerage and wealth management services
Fur	—	Provision of breeding, farming and sale of livestock and pelted skin, and provision of fur skin brokerage and financing services
Asset management	—	Provision of asset management services
Money lending	—	Provision and arrangement of money lending services in Hong Kong

## NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

### 3. Segment and Revenue Information *(Continued)*

#### Segment revenue and results *(Continued)*

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

#### Six months ended 30 September 2020

	Securities HK\$'000 (unaudited)	Insurance brokerage HK\$'000 (unaudited)	Fur management HK\$'000 (unaudited)	Asset management HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
REVENUE	20,674	36,012	18,794	3,951	2,539	81,970
RESULTS						
Segment results	14,574	560	(8,019)	2,483	2,527	12,125
Unallocated corporate income						1,969
Unallocated corporate expenses						(19,324)
Finance costs						(4,757)
Loss before tax						(9,987)
Income tax expenses						(2,084)
Loss for the period						(12,071)

#### Other information

	Securities HK\$'000 (unaudited)	Insurance brokerage HK\$'000 (unaudited)	Fur management HK\$'000 (unaudited)	Asset management HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Unallocated HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Additions of property, plant and equipment	–	12	–	29	–	2,910	2,951
Change in fair value of biological assets	–	–	2,519	–	–	–	2,519
Depreciation of property, plant and equipment	354	2	3,560	–	–	–	3,916
Depreciation of right-of-use assets	–	960	252	–	–	834	2,046

## NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

### 3. Segment and Revenue Information *(Continued)*

#### Segment revenue and results *(Continued)*

#### Six months ended 30 September 2019 (restated)

	Securities HK\$'000 (unaudited)	Insurance brokerage HK\$'000 (unaudited)	Fur HK\$'000 (unaudited)	Asset management HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
REVENUE	16,152	45,981	2,011	—	2,658	66,802
RESULTS						
Segment results	7,723	159	(5,087)	(121)	2,654	5,328
Unallocated corporate income						64
Unallocated corporate expenses						(14,021)
Finance costs						(5,732)
Loss before tax						(14,361)
Income tax expenses						(811)
Loss for the period						(15,172)

#### Other information

	Securities HK\$'000 (unaudited)	Insurance brokerage HK\$'000 (unaudited)	Fur HK\$'000 (unaudited)	Asset management HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Unallocated HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Additions of property, plant and equipment	63	7	—	6	—	—	76
Change in fair value of biological assets	—	—	6,238	—	—	—	6,238
Provision for impairment of trade receivables	998	—	—	—	—	—	998
Depreciation of property, plant and equipment	680	—	5,120	—	—	3	5,803
Depreciation of right-of-use assets	—	960	414	—	—	3,372	4,746

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current interim period (six months ended 30 September 2019: Nil).

## NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

### 3. Segment and Revenue Information *(Continued)*

#### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments for the period/year:

#### At 30 September 2020

	Securities HK\$'000 (unaudited)	Insurance brokerage HK\$'000 (unaudited)	Fur management HK\$'000 (unaudited)	Asset management HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>ASSETS</b>						
Segment assets	441,150	1,752	143,038	2,286	26,115	614,341
Unallocated corporate assets						109,912
Total assets						<b>724,253</b>
<b>LIABILITIES</b>						
Segment liabilities	104,172	3,167	50,202	—	—	157,541
Unallocated corporate liabilities						145,189
Total liabilities						<b>302,730</b>

#### At 31 March 2020 (restated)

	Securities HK\$'000 (audited)	Insurance brokerage HK\$'000 (audited)	Fur management HK\$'000 (audited)	Asset management HK\$'000 (audited)	Money lending HK\$'000 (audited)	Total HK\$'000 (audited)
<b>ASSETS</b>						
Segment assets	415,375	2,701	143,126	5	15,000	576,207
Unallocated corporate assets						66,907
Total assets						<b>643,114</b>
<b>LIABILITIES</b>						
Segment liabilities	61,198	6,916	49,117	—	—	117,231
Unallocated corporate liabilities						98,745
Total liabilities						<b>215,976</b>



## NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

### 3. Segment and Revenue Information *(Continued)*

#### Revenue information

An analysis of revenue is as follows:

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Revenue from contracts with customers</b>		
Insurance brokerage services income	<b>36,012</b>	45,981
Commission income from		
— Securities brokerage	<b>2,353</b>	1,466
— Underwriting, sub-underwriting, placing and sub-placing	<b>4,748</b>	4,246
Brokerage of fur skin and mink farming	<b>18,794</b>	2,011
Asset management services income	<b>3,951</b>	—
<b>Revenue from other sources</b>		
Interest income from margin financing, cash clients and IPO Loans	<b>13,573</b>	10,440
Interest income from money lending services	<b>2,539</b>	2,658
	<b>81,970</b>	66,802

Note: Revenue includes 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 service income are recognised at point over time.

## NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

### 3. Segment and Revenue Information *(Continued)*

#### Geographical information

An analysis of the Group's revenue for each of the reporting period by geographical market is as follows:

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Hong Kong	63,176	64,791
Denmark	18,740	1,412
The People's Republic of China	54	599
	81,970	66,802

### 4. Other Income

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Administrative fee income	534	391
Bank interest income	5	30
Bonus and rebate from auction houses	—	31
Commission income	201	—
Consultancy fee income	—	30
Dividend income	250	—
Handling income	265	454
Referral income	1,114	585
Rental and utilities income	961	—
Sundry income	1,042	1,300
	4,372	2,821

## NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

### 5. Other Gains and Losses, Net

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

	Sixth months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Foreign exchange gain (loss), net	12	(20)
Change in fair value of biological assets	2,519	6,238
	<b>2,531</b>	<b>6,218</b>

### 6. Finance Costs

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Interests on:		
– Bank borrowings	1,688	4,278
– Cash clients' accounts	–	14
– Corporate bond (effective)	3,018	275
– Lease liabilities/finance leases	49	261
– Margin clients' accounts	–	19
– Overdraft	–	885
– Others	2	–
	<b>4,757</b>	<b>5,732</b>

## NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

### 7. Loss Before Tax

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

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Auditor's remuneration	64	6
Cost of inventories recognised as expenses	20,526	1,657
Depreciation of property, plant and equipment	3,916	5,803
Depreciation of right-of-use assets	2,046	4,746
Dividend income	(250)	—
Net foreign exchange (gain) loss	(12)	20
Provision for impairment of trade receivables	—	998
Staff costs (including directors' remuneration)		
— retirement benefit scheme contributions	549	419
— salaries and allowances	21,175	17,420

### 8. Income Tax Expense

The charge comprises:

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current tax		
Hong Kong Profits Tax	2,084	811
Total income tax expenses for the period	2,084	811

- (i) Hong Kong Profits Tax for the six months ended 30 September 2020 is calculated at 8.25% (six months ended 30 September 2019: 8.25%) on the first HK\$2 million of the estimated assessable profits and at 16.5% (six months ended 30 September 2019: 16.5%) on the estimated assessable profits above HK\$2 million according to the two-tiered profits tax rates regime.

## NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

### 8. Income Tax Expense *(Continued)*

- (ii) The Danish subsidiary is subject to Denmark Corporate Tax at 22% for the period (2019: 22%).
- (iii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.

### 9. Dividends

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

### 10. 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 six months ended 30 September 2020 of approximately HK\$12,071,000 (six months ended 30 September 2019: approximately HK\$15,202,000) and the weighted average number of ordinary shares of 4,849,629,735 (six months ended 30 September 2019: 4,615,489,735 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. As none of the grantees exercised the share option before the expiry date, all share options were lapsed on 20 September 2020. As at 30 September 2020, there were no outstanding share options.

### 11. Property, Plant and Equipment/Right-of-Use Assets/Intangible Asset

#### (a) Owned property, plant and equipment

During the six months ended 30 September 2020, the Group spent approximately HK\$2,951,000 (six months ended 30 September 2019: approximately HK\$76,000) on acquisition of property, plant and equipment and there was no disposal of property, plant and equipment (six months ended 30 September 2019: Nil).

#### (b) Right-of-use assets

During the six months ended 30 September 2020, the Group entered into a lease agreement and therefore recognised the additions to right-of-use assets of approximately HK\$821,000 (six months ended 30 September 2019: Nil).

#### (c) Intangible asset

The Group had no acquisition and disposal of intangible asset for the six months ended 30 September 2020 and 2019.

## NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

### 12. Trade and Other Receivables, Prepayments and Deposits

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Trade receivables from:		
Securities business (Note a)		
— Cash clients	33,042	36,596
— Margin clients	229,408	258,574
— Clearing house	21,194	773
	<b>283,644</b>	295,943
Mink farming business (Note b)	6,356	—
Asset management business (Note c)	2,252	—
	<b>292,252</b>	295,943
Less: Provision for impairment of trade receivables	<b>(14,496)</b>	(14,496)
	<b>277,756</b>	281,447
Prepayments	1,062	1,827
Deposits:		
— Deposits with auction houses and suppliers	5,939	4,518
— Rental, utilities and other deposits	1,128	1,946
— Statutory deposit	230	230
Other receivables	5,871	8,732
	<b>291,986</b>	298,700
Analysis for reporting purpose as:		
Current assets	291,486	298,296
Non-current assets — Deposits	500	404
	<b>291,986</b>	298,700

## NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

### 12. Trade and Other Receivables, Prepayments and Deposits *(Continued)*

Notes:

- (a) The settlement terms of trade receivables arising from the business of dealing in securities services 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. The balance are considered fully recoverable by the management.

#### **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 30 September 2020, the fair values of the pledged securities amounted to approximately HK\$547,892,000 (31 March 2020: approximately HK\$521,336,000). 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 to 120 days to its customers from the business of trading of fur skin, mink farming and fur skin brokerage.
- (c) Accounts receivable from clients are arising from asset management which have not been settled by client, which are normally due within 60 days after end of each quarters.

## NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

### 12. Trade and Other Receivables, Prepayments and Deposits *(Continued)*

The aging analysis of the Group's trade receivables from business of securities, net of allowance for expected credit loss ("ECL"), are as follows:

	<b>30 September 2020 HK\$'000 (unaudited)</b>	31 March 2020 HK\$'000 (audited)
Margin clients balances:		
No due date	<b>215,136</b>	244,302
Cash clients balances:		
Neither past due nor impaired	<b>612</b>	32,816
Past due but not impaired	<b>32,206</b>	3,556
	<b>32,818</b>	36,372
Other balances:		
Neither past due nor impaired	<b>21,194</b>	773
	<b>269,148</b>	281,447

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 ECL. The Group does not hold any collateral over these balances.

The aging analysis of trade receivables from business of mink farming, net of allowance for ECL, based on invoice date are as follows:

	<b>30 September 2020 HK\$'000 (unaudited)</b>	31 March 2020 HK\$'000 (audited)
0 - 60 days	<b>6,356</b>	—
61 - 90 days	—	—
91 - 120 days	—	—
	<b>6,356</b>	—



## NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

### 12. Trade and Other Receivables, Prepayments and Deposits *(Continued)*

Trade receivables from the business of mink farming 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 right to offset against any amounts owed by the Group to the counterparty.

Trade receivables from the business of mink farming that were neither past due nor impaired related to a wide range of customers for whom there is no recent history of default.

Trade receivables from the business of asset management were neither past due nor impaired related to a number of clients for whom there is no recent history of default.

### 13. Loan Receivables

	<b>30 September 2020 HK\$'000 (unaudited)</b>	31 March 2020 HK\$'000 (audited)
Loans from money lending business — secured	<b>14,695</b>	10,000
Loans from money lending business — unsecured	<b>11,408</b>	5,000
Less: Provision for impairment	—	—
	<b>26,103</b>	15,000

The Group offered a credit period of 30 days to 1 year for the loans to its customers in money lending business with interest rate ranging from 12%-36% per annum (31 March 2020: 13%-48% per annum). The Group maintains strict control over its outstanding loans to minimise credit risk. Overdue balance is reviewed regularly by management.

The Company has measured the loss allowances of loan receivables by using HKFRS 9 general approach, by assuming all the customers shared a similar credit risk characteristic under the life-time ECLs calculations. Provision matrix is used to measure the ECLs of loan receivables for all categories of customers. 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.

## NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

### 13. Loan Receivables *(Continued)*

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 30 September 2020 and 31 March 2020:

	<b>30 September 2020 HK\$'000 (unaudited)</b>	31 March 2020 HK\$'000 (audited)
0 – 60 days	<b>1,500</b>	13,500
61 – 90 days	<b>2,620</b>	—
91 – 180 days	<b>10,184</b>	—
Over 180 days	<b>11,799</b>	1,500
	<b>26,103</b>	15,000

Loan receivables disclosed above include amounts which are past due at the end of reporting period 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 repayment of the loan receivables were secured by premises or guaranteed by a third party.

The following is an aging analysis of the Group's loan receivables that are past due but not impaired at 30 September 2020 and 31 March 2020:

	<b>30 September 2020 HK\$'000 (unaudited)</b>	31 March 2020 HK\$'000 (audited)
Overdue by:		
0 – 60 days	<b>10,919</b>	—
61 – 90 days	<b>—</b>	—
91 – 180 days	<b>726</b>	—
	<b>11,645</b>	—

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.

## NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

### 13. Loan Receivables (Continued)

Analysis of the ECL allowance of loan receivables is as follows:

	<b>30 September 2020 HK\$'000 (unaudited)</b>	31 March 2020 HK\$'000 (audited)
Balance at beginning of the period/year	—	96
Reversal for the period/year	—	(96)
Balance at end of the period/year	—	—

### 14. Trade and Other Payables

	<b>30 September 2020 HK\$'000 (unaudited)</b>	31 March 2020 HK\$'000 (audited)
Trade payables from:		
Securities brokerage business (Note a)		
— Cash clients	<b>12,999</b>	13,135
— Margin clients	<b>56,172</b>	9,714
— Clearing house	—	3,349
	<b>69,171</b>	26,198
Mink farming and fur skin brokerage business (Note b)	<b>2,474</b>	1,609
Insurance brokerage business (Note c)	<b>2,563</b>	5,246
	<b>74,208</b>	33,053
Other payables:		
Accruals	<b>998</b>	3,053
Corporate bond interest	<b>2,526</b>	254
Value-added tax payable	<b>1,942</b>	—
Other operating expenses payables	<b>1,210</b>	268
Received in advance	<b>1,461</b>	—
Others	<b>716</b>	21
	<b>83,061</b>	36,649

## NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

### 14. Trade and Other Payables (Continued)

Based on the invoice dates, aging analysis of trade payables from mink farming and fur skin brokerage business are as follows:

	<b>30 September 2020 HK\$'000 (unaudited)</b>	31 March 2020 HK\$'000 (audited)
0 - 60 days	<b>1,930</b>	1,199
61 - 90 days	—	—
91 - 120 days	<b>544</b>	410
	<b>2,474</b>	1,609

Based on the invoice dates, aging analysis of trade payables from insurance brokerage business as follow:

	<b>30 September 2020 HK\$'000 (unaudited)</b>	31 March 2020 HK\$'000 (audited)
0 - 60 days	<b>2,283</b>	4,593
61 - 90 days	<b>6</b>	—
91 - 120 days	<b>31</b>	—
Over 120 days	<b>243</b>	653
	<b>2,563</b>	5,246

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 right 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% (31 March 2019: 0.01%) per annum.

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) The Group normally settles the trade payables from fur business within 21 days of the credit term.
- (c) The Group normally settles the trade payables from insurance brokerage business within 15 days of the credit term.

## NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

### 15. Bank Borrowings

	<b>30 September 2020 HK\$'000 (unaudited)</b>	31 March 2020 HK\$'000 (audited)
Revolving loans	<b>35,000</b>	35,000
Bank overdraft	<b>46,990</b>	47,336
	<b>81,990</b>	82,336

### 16. Amount Due To a Related Company/Director/Shareholder

The amounts due to a related company/director/shareholder are unsecured, interest-free and repayable on demand.

### 17. Corporate Bonds

At the end of the reporting period, corporate bonds were payable as follows:

	<b>30 September 2020 HK\$'000 (unaudited)</b>	31 March 2020 HK\$'000 (audited)
Maturity:		
Within one year	<b>40,500</b>	15,500
In more than one year but not more than two years	<b>14,600</b>	8,500
In more than two years but not more than three years	<b>46,406</b>	24,218
	<b>101,506</b>	48,218
Less: Amounts due for settlement within 12 months (shown under current liabilities)	<b>(40,500)</b>	(15,500)
Amounts due for settlement after 12 months (shown under non-current liabilities)	<b>61,006</b>	32,718

At end of the reporting period, the Group has issued corporate bonds with aggregate amount of HK\$94,900,000 and US\$850,000 (equivalent to approximately HK\$6,606,000), with tenor of 1-3 years. The bonds were issued with coupon rate and effective interest rate ranging from 0% to 9%, 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.

## NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

### 18. Promissory Notes

	<b>30 September 2020 HK\$'000 (unaudited)</b>	31 March 2020 HK\$'000 (audited)
At beginning of the period/year	<b>3,430</b>	—
Addition	—	3,430
Redemption	<b>(3,430)</b>	—
At end of the period/year	—	3,430

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 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. The promissory notes are non-interest bearing and fully repaid in July 2020.

### 19. Share Capital

	<b>30 September 2020</b>		31 March 2020	
	<b>Number of shares</b>	<b>Nominal value of ordinary shares HK\$'000 (unaudited)</b>	Number of shares	Nominal value of ordinary shares HK\$'000 (audited)
Authorised:				
Ordinary shares of HK\$0.01 each	<b>10,000,000,000</b>	<b>100,000</b>	10,000,000,000	100,000
Issued and fully paid:				
At the beginning of period/year	<b>4,849,629,735</b>	<b>48,496</b>	4,615,489,735	46,155
Placing of shares	—	—	234,140,000	2,341
At the end of the period/year	<b>4,849,629,735</b>	<b>48,496</b>	4,849,629,735	48,496

## NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

### 20. Major non-cash transaction

During the period ended 30 September 2020, the amount due to a shareholder was settled HK\$14,000,000 by the Group, by issuing a corporate bond of HK\$14,000,000 with tenor of 1 year and 0% coupon rate.

### 21. Reclassification

Certain comparative figures have been reclassified to conform to current period's presentation.

### 22. Event After Reporting Period

The Group's fur business involves the provision of breeding, farming and sale of livestock and pelted skin, and provision of fur skin brokerage and financing services.

In early November 2020, the Danish government has found that minks carry the COVID-19 virus that they have decided to kill all minks within the country and to ban mink farming next year. As all the minks of the Company had reached the age for pelting and have all been pelted in November 2020, the financial impact on the fur business in this regard is considered minimal for this financial year. The pelted mink skins are planned to be partly sold in next year and also the year after. Currently, the Company is waiting for a comprehensive compensation proposal from the Danish government for the mink farming business. Appropriate disclosure will be announced in due course when such proposals are crystalised.

Save as disclosed above, there are no significant events taken place after 30 September 2020 and up to the date of this report.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review

### Revenue and Segment Results

Revenue of the Group for the six months ended 30 September 2020 was approximately HK\$82.0 million (2019: approximately HK\$66.8 million).

### Securities

During the six months ended 30 September 2020, 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\$20.7 million (2019: approximately HK\$16.2 million), representing an increase of approximately 27.8% as compared to last corresponding period.

The increase in revenue was mainly due to the rejuvenation of the stock market by continuous inflow of capital in the midst of the COVID-19 pandemic, leading to the improvement of brokerage income and commission income as a result of placing and underwriting transactions as well as the increase in margin financing interest income.

The segment profit of securities business was reported approximately HK\$14.6 million for the six months ended 30 September 2020 (2019: profit of approximately HK\$7.7 million).

### Insurance brokerage

Insurance brokerage represented the provision of insurance brokerage and wealth management services which commenced since 2018.

For the six months ended 30 September 2020, revenue from insurance brokerage business amounted to approximately HK\$36.0 million (2019: approximately HK\$46.0 million), representing commission income received from brokerage and dealing in insurance and mandatory provident fund products. The segment profit of insurance brokerage business was reported approximately HK\$0.6 million (2019: profit of approximately HK\$0.2 million).

### Fur

The Group's fur business consists of mink farming, fur skin brokerage and financing. The Group's fur business revenue was increased by 8.4 times of corresponding period 2019 to approximately HK\$18.8 million (2019: approximately HK\$2.0 million) for the six months ended 30 September 2020. The increase in revenue was mainly attributable to the sales (by auctions) resumed during first half of our 2020/2021 financial year.

The fur business reported segment loss of approximately HK\$8.0 million for the six months ended 30 September 2020 (2019: loss of approximately HK\$5.1 million).



## MANAGEMENT DISCUSSION AND ANALYSIS

### Asset management

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 growing stage, which contributed a revenue of approximately HK\$4.0 million (2019: Nil) to the Group.

The asset management business reported segment profit of approximately HK\$2.5 million for the six months ended 30 September 2020 (2019: loss of approximately \$0.1 million).

### Money lending

The Group holds a money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). During the period, the Group became more active in money lending transactions in order to accommodate for the keen demand. The loan size for each transaction ranged from approximately HK\$0.5 million to approximately HK\$10 million and all loans were made to independent third parties.

The provision and arrangement of money lending business contributed approximately HK\$2.5 million for both segment revenue and profit to the Group for the six months ended 30 September 2020 (2019: approximately HK\$2.7 million for both segment revenue and profit).

### Other income

Other income for the six months ended 30 September 2020 was approximately HK\$4.4 million compared to approximately HK\$2.8 million for the corresponding period last year. The increase was mainly due to rental and utilities income received by the Group, together with the referral income derived from insurance brokerage segment.

### Change in fair value of biological assets

For the six months ended 30 September 2020, gain arising from the changes in fair value of biological assets, which amounted to approximately HK\$2.5 million (2019: gain of approximately HK\$6.2 million), was recognised and it represented the net increase of fair value of the mated female minks and male minks for breeding for the mink farming business.

### Administrative expenses

Administrative expenses increased by approximately 11.8% to approximately HK\$44.7 million (2019: approximately HK\$40.0 million). The increase was mainly due to increase in staff salary to cope with the expanding of insurance brokerage and asset management service business.

### Finance costs

For the six months ended 30 September 2020, the finance costs, which mainly represented the interest expenses for the corporate bonds and bank borrowings. It was decreased by approximately 17.5% to approximately HK\$4.7 million (2019: approximately HK\$5.7 million) mainly due to the decrease of bank borrowing interest, far exceeded the increase in the interest expense of the bonds issued to investors during the period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Loss for the period

Loss for the period of approximately HK\$12.1 million was reported for the six months ended 30 September 2020 (2019: loss of approximately HK\$15.2 million).

## Dividend

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2020 (2019: Nil).

## Significant investments and acquisition

The Group has no significant investment and acquisition during the period (2019: Nil).

The Group has not entered into any agreement, arrangement, understanding, negotiation and has no current intention to downsize, cease, sell and/or dispose of its fur business, although it will periodically review the performance and prospects of the fur business and the appropriate deployment/allocation of resources available to the Group to the fur business.

## Liquidity, Financial Resources and Capital Structure

The Group generally finances its operations with internally generated cash flow, bank borrowings and equity/debt financing. The Group maintained bank balances and cash in mainly Hong Kong Dollars, United States Dollars and Danish Krone ("DKK") of approximately HK\$62.6 million as at 30 September 2020 (31 March 2020: approximately HK\$42.1 million). The net assets of the Group as at 30 September 2020 were approximately HK\$421.5 million (31 March 2020: approximately HK\$427.1 million).

As at 30 September 2020, the outstanding principal of the short and medium-term bonds was approximately HK\$101.5 million (31 March 2020: approximately HK\$48.2 million), which were denominated in Hong Kong Dollar and US Dollar at fixed rates ranging from 0% 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 30 September 2020, approximately HK\$101.5 million had been used for the same purpose.

The Group actively and regularly reviews and manages its capital structure and makes adjustments in light of changes in economic conditions. For the licensed subsidiaries, the Group ensures that each of the subsidiaries maintains a liquidity level adequate to support the level of activities with a sufficient buffer to accommodate increases in liquidity requirements arising from potential increases in the level of business activities. During the period under review, all the licensed subsidiaries complied with the liquidity requirements under the Securities and Futures (Financial Resources) Rules ("FRR").

As at 30 September 2020, the Company had 4,849,629,735 shares in issue.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Capital Commitment and Contingent Liability

The Group had no material capital commitment and contingent liability as at 30 September 2020 (31 March 2020: Nil).

### Charge of Assets

As at 30 September 2020, the Group charged property, plant and equipment, right-of-use assets, biological assets and inventories of approximately DKK59,711,000 or approximately HK\$72,878,000 (31 March 2020: approximately DKK76,978,000 or approximately HK\$88,132,000) for bank borrowings.

### Risk Management

#### Credit risk

Credit risk exposure represents trade receivables from customers, amounts due from clients, brokers and clearing houses and loan receivables from clients, which principally arise from our business activities. The Group has a credit policy in place and the credit risk is monitored on an on-going basis.

In respect of trade receivables from customers, 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 in respect of overdue balances.

In respect of amounts due from clients, individual credit evaluations are performed on all clients (including cash and margin clients). Cash clients are required to place deposits as prescribed in the Group's credit policy before execution of any purchase transactions. Receivables due from cash clients are due within the settlement period commonly adopted in the relevant market practices, which is usually within two trading days after the trade date. The Group normally obtains liquid securities and/or cash deposits as collateral for providing financing to its cash and margin clients. Margin loans due from margin clients are repayable on demand. Market conditions and adequacy of securities collateral and margin deposits of each cash account and margin account are monitored by the management on a daily basis. Margin calls and forced liquidation are made where necessary.

In respect of amounts receivable from brokers and clearing houses, credit risks are considered low as the Group normally enters into transactions with brokers and clearing houses which are registered with regulatory bodies and enjoy sound reputation in the industry.

In respect of loan receivables from clients, the Group has no concentration of credit risk on aggregate amount of loans, with exposure spread over a number of clients. The Group continued to adopt stringent credit policies to mitigate the credit risk arising from the money lending business. The credit policies specify the credit approval, review and other monitoring procedures to ensure that follow-up action is taken for the recoverable amount.

The Group has no significant concentration of credit risk as credits are granted to a large population of clients.

The Group does not provide any other guarantees which would expose the Group to credit risk.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Liquidity risk

The Group monitors its current and expected liquidity requirements regularly and ensuring 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. Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, and to ensure compliance with FRR.

## Interest rate risk

The Group charges interest on its margin clients and cash clients with outstanding loan amounts on the basis of Hong Kong prime rate plus a mark-up. Financial assets (such as margin loans and deposits with banks) and financial liabilities (such as bank loans) are primarily related to the fluctuation of Hong Kong prime rate and prevailing floating rates. The Group's income and operating cash flows are not subject to significant interest rate risk.

## 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.

As at 30 September 2020, 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.

## OTHER INFORMATION

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

As at 30 September 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") as set out in Appendix 10 of the Listing Rules.

#### Long position in shares of the Company

Name	Nature of Interest	Number of issued shares held	Approximate percentage of shareholding in the Company (Note 1)
Mr. CHEN, Jiajun (Note 2)	Controlled entity	3,363,819,533	69.36%
Mr. WONG, Chun Chau	Beneficial owner	40,698,240	0.84%
Ms. KWOK, Yin Ning	Beneficial owner	15,809,600	0.33%

Notes:

- Such percentage was calculated against the number of issued shares of the Company as at 30 September 2020, being 4,849,629,735 shares.
- Mr. Chen Jiajun is an Executive Director and the sole ultimate beneficial owner of Kingkey Holdings (International) Limited which is interested in 3,363,819,533 shares of the Company.

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 September 2020.

Save as disclosed above, as at 30 September 2020, none of the Directors or chief executives was a director or employee of a company which had an interest or short position in the shares or underlying shares which disclosure to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO is required.

## OTHER INFORMATION

### Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 September 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 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 issued shares held	Approximate percentage of shareholding in the Company (Note 3)
Kingkey Holdings (International) Limited (Note 1)	Beneficial owner	3,363,819,533	69.36%

Note:

1. Kingkey Holdings (International) Limited is wholly and beneficially owned by Mr. Chen Jiajun.
3. Such percentage was calculated against the number of issued shares of the Company as at 30 September 2019, being 4,849,629,735 shares.

Save as disclosed above, as at 30 September 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.

### 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 contribute to the success of the Group.

The Pre-IPO Share Option Scheme 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 and there were no outstanding share options granted under the Pre-IPO Share Option Scheme during the period.

On 20 September 2018, the Company granted 100,800,000 share options to certain eligible participants with exercise price of HK\$0.253 per share option under the Share Option Scheme, which represented the total outstanding share options of the Company as at 31 March 2020. The share options had no vesting period and had a validity to exercise for two years since the date of grant. None of the grantees were Director, chief executive or substantial shareholder of the Company.

## OTHER INFORMATION

As none of the grantees exercised the share options before the expiry date, all share options were lapsed on 20 September 2020. As at 30 September 2020, there were no outstanding share options.

Save as disclosed above, during the six months ended 30 September 2020, no share options have been granted, exercised, lapsed or cancelled under both the Pre-IPO Share Option Scheme and Share Option Scheme.

### Share Award Scheme

On 14 September 2018, the Company approved to adopt a ten-year share award scheme (“Share Award Scheme”). The purposes of the Share Award Scheme are to recognise the contributions by 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 the rules of the Share Award Scheme (the “Scheme Rules”), the Board and the remuneration committee of the Board may, from time to time, at its absolute discretion select any eligible employee (other than any excluded employee as defined under the Scheme Rules) for participation in the Share Award Scheme as a selected participant, and grant such number of awarded shares to any such selected participant at no consideration and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine.

The Board shall not make any further award of awarded shares which will result in the total number of Shares granted under the Share Award Scheme exceeding 5% of the total number of issued Shares of the Company from the date of adoption.

The Share Award Scheme shall terminate on the earlier of the last day of the 10th anniversary of the adoption date; and such date of early termination as determined by the Board by a resolution of the Board, provided that such termination shall not affect any subsisting rights of selected participants.

No share award was granted under the Share Award Scheme during the period under review.

This Share Award 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. Details of the Scheme Rules are set out in the announcement of the Company dated 14 September 2018.

### Directors’ Rights to Acquire Shares or Debentures

Other than as disclosed under the sections “Share Option Schemes”, “Directors’ and Chief Executives’ Interests and Short Positions in the Shares, Underlying Shares or Debentures” and “Share Award Scheme” above, at no time during the period ended 30 September 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.

## OTHER INFORMATION

### Purchase, Sale or Redemption of Shares

During the six months ended 30 September 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

### Corporate Governance

The Company is committed to the establishment of good governance practices and procedures. During the period under review, the Company has complied with the provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except for the deviation of the following:

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.

### Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted the Model Code as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard set out in the Model Code regarding securities transactions by the directors throughout the six months ended 30 September 2020.

### Employees and Emolument Policy

As at 30 September 2020, the Group had 74 full-time employees (31 March 2020: 80). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employee benefits include contribution to provident fund, insurance and medical cover as well as discretionary options based on their contributions to the Group.



## OTHER INFORMATION

### Audit Committee

The audit committee has three members comprising all three independent non-executive Directors, namely, Ms. Mak Yun Chu (Chairperson), Mr. Leung Siu Kee and Mr. Hung Wai Che, with terms of reference in compliance with the Listing Rules. The audit committee reviews the Group's financial reporting, internal controls and makes relevant recommendations to the Board.

The audit committee has reviewed the Company's unaudited condensed consolidated financial statements report for the six months ended 30 September 2020.

By Order of the Board  
**Kingkey Financial International (Holdings) Limited**  
**Wong Chun Chau**  
*Chairman*

Hong Kong, 27 November 2020