



**KINGKEY
FINANCIAL
INTERNATIONAL**

2021

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 (*retired on 4 October 2021*)
Mr. MONG Cheuk Wai (*appointed on 4 October 2021*)
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. TSANG Hing Bun
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

Corporate Website

www.kkgroup.com.hk

Auditor

Elite Partners 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, Hung Hom
Kowloon, Hong Kong

Stock Code

1468

Listing Dates

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

DIRECTORS' STATEMENT

We 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 2021.

Business Review

Although COVID-19 has been kept at bay in Hong Kong with no local confirmed cases for period of time, the Group’s business in the first half of our 2021/22 financial year has not been benefited since the border is still closed. The prolonged interruption of the cross-border business interaction has continued to negatively impact the Group’s revenue. However, the successful fund raising of approximately HK\$448 million in early June this year has provided capital to the Group which made up the loss of business opportunity arising from the pandemic.

We provide customers with diversified and high-quality financial products and services, including securities trading and financing, insurance, asset management and wealth management. With the Group’s solid foundation, a wide partner’s network and a professional team, the Group aims to help investors achieve investment goals and strive for ideal returns.

The Group has actively developed a variety of financial services, providing high quality and all-rounded wealth and asset management services to professional investors, legal entities and family office customers.

Securities

The performance of our securities business was rather disappointing. Unlike the hot atmosphere of the Hong Kong stock market amid the highly contagious pandemic during the same time last year, the stock market was comparatively less popular which has dragged our commission income from underwriting, sub-underwriting, placing and sub-placing by 91.0% while our margin interest income remained stable. For the six months ended 30 September 2021, revenue decreased by approximately 26.1% to approximately HK\$15.3 million (2020: approximately HK\$20.7 million).

Insurance Brokerage

Kingkey Privilege Wealth Management Limited (“KKWM”) is our wealth management and insurance brokerage arm, registered with the Insurance Authority (“IA”) and Mandatory Provident Fund Schemes Authority (“MPFA”).

As at 30 September 2021, it was operating a team of experienced insurance professionals with 135 licensed representatives under IA and 60 licensed representatives under MPFA. They act as individual financial advisers to provide quality service to their clients by adopting IFA 3.0 strategy to formulate detailed and tailor-made wealth management solutions based on the clients’ needs and source appropriate investment tools with an aim to achieving desired return. Moreover, they assist their clients to grasp the most updated market information and analyse the risk and opportunities therefrom and assess their clients’ portfolio regularly. For the six months ended 30 September 2021, KKWM has handled over 850 new insurance policies for about 800 clients and accumulated total Annualized First Year Premium (“AFYP”) amount of over HK\$78.9 million (2020: over HK\$40.9 million); with total Annualized First Year Commission (“AFYC”) amount of over HK\$34.8 million (2020: over HK\$15.5 million).

Due to the prolonged prevention measures of the COVID-19, the business was still significantly thwarted as evidenced by a decrease of revenue to approximately HK\$25.4 million from approximately HK\$36.0 million the same corresponding period of last year.

DIRECTORS' STATEMENT

Fur

During the six months ended 30 September 2021, fur auctions houses around the world enjoyed a very good and steady price average that gave the farmers a very handsome profit margin. Also late in this summer, Danish government has started to compensate most Danish farmers including ourselves a lot of expenses involving culling some of our minks and cleaning some of our farms. For the six months ended 30 September 2021, an approximate of HK\$6.9 million revenue was registered from this business, representing a decrease of approximately 63.3% or HK\$11.9 million compared with last year's corresponding period.

Assets Management and Money Lending

Business of provision of asset management service remained steady. For the six months ended 30 September 2021, we recorded approximately HK\$4.1 million revenue from provision of assets management business (2020: HK\$4.0 million).

However, there was a big leap in money lending business. For the six months ended 30 September 2021, revenue hiked by HK\$9.5 million to approximately HK\$12.0 million (2020: HK\$2.5 million), largely thanks to the increase in capital available to the lending business from the fund raising completed in early June 2021. Nevertheless, 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

Unlike same time last year, the COVID-19 pandemic has been under control and many other developed economies have been back to normal. For Hong Kong, however, being highly connected with mainland China in all aspects, is still unable to reconnect with it, leading to the continuing of disruption of cross border economic activities.

For the securities business, it is largely dependent on the atmosphere of the stock market. We expect the market will not bounce back substantially but will not fall too much either. Therefore, the income from brokerage commission in the second half will not be surprisingly different from the first half of this financial year. As a result, we will put more effort on the commission income from underwriting.

For insurance brokerage and asset management, the news of re-connecting with the mainland China sheds some light on the businesses. Although there is yet a confirmed timetable, we believe that this is no longer elusive or unachievable.

For fur business, sale of fur is expected to be favourable as cold weather came early from Northern China which is the most important fur market place in the world. If it stays cold in this entire winter and with the big shortage of the Danish minks due to the Danish government's ban of mink farming in the whole year of 2022, the fur market is looking towards a very bright second half of our financial year. But most importantly, our group will keep using the best Danish lawyers to negotiate with the Danish government for our farm's compensation.

Chen Jiajun
Executive Director

Hong Kong, 26 November 2021

The Board presents the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2021 together with the comparative figures for the corresponding period in 2020, as follows:

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

For the six months ended 30 September 2021

	Notes	Six months ended 30 September 2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	3	63,760	81,970
Cost of sales		(24,296)	(49,380)
Gross profit		39,464	32,590
Other income	4	15,719	4,372
Other gains and losses, net	5	(12,233)	2,531
Reversal of impairment of loan receivables		15	–
Administrative expenses		(48,463)	(44,723)
Finance costs	6	(6,530)	(4,757)
Loss before tax	7	(12,028)	(9,987)
Income tax expense	8	(1,330)	(2,084)
Loss for the period		(13,358)	(12,071)
Other comprehensive (expense) income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of overseas operations		(1,953)	6,376
<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		2,100	80
Other comprehensive income for the period, net of tax		147	6,456
Total comprehensive expense for the period		(13,211)	(5,615)
Loss per share	10		
Basic and diluted		(0.22) HK cents	(0.25) HK cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

	Notes	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	79,891	83,534
Right-of-use assets	11	5,059	6,461
Goodwill		106,814	106,814
Intangible asset	11	500	500
Financial assets at fair value through profit or loss		113,858	19,819
Financial assets at fair value through other comprehensive income		7,000	4,900
Deposits	12	1,268	1,278
		314,390	223,306
Current assets			
Financial assets at fair value through profit or loss		1,845	2,459
Inventories		70,966	76,041
Trade and other receivables, prepayments and deposits	12	344,350	258,282
Loan receivables	13	260,171	91,017
Amount due from related companies		3,052	2,352
Pledged bank deposits		35,000	17,500
Bank balances held on behalf of clients		170,108	198,992
Bank balances and cash		170,706	45,626
		1,056,198	692,269
Current liabilities			
Trade and other payables	14	202,098	207,424
Tax payables		11,313	9,983
Bank and other borrowings	15	111,046	78,901
Lease liabilities		2,874	2,944
Amount due to a related company		–	1,107
Amount due to a director	16	6,567	24,864
Amount due to a shareholder	16	11,000	11,000
Corporate bonds	17	36,300	37,200
		381,198	373,423
Net current assets		675,000	318,846
Total assets less current liabilities		989,390	542,152
Non-current liabilities			
Lease liabilities		3,017	4,400
Corporate bonds	17	126,008	111,926
		129,025	116,326
Net assets		860,365	425,826
Capital and reserves			
Share capital	18	67,246	48,496
Reserves		793,119	377,330
Total equity		860,365	425,826

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Attributable to the owners of the Company								
	Share capital	Share premium	Merger reserve	Share-based	Investments	Translations reserve	Other reserve	Accumulated losses	Total
				payment reserve	revaluation reserve				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2020 (audited)	48,496	674,387	(7,122)	4,723	(5,050)	(23,016)	(1,998)	(263,282)	427,138
Other comprehensive income for the period	-	-	-	-	80	6,376	-	-	6,456
Loss for the period	-	-	-	-	-	-	-	(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
At 1 April 2021 (audited)	48,496	674,387	(7,122)	-	(5,100)	(15,838)	(1,998)	(266,999)	425,826
Other comprehensive income (expense) for the period	-	-	-	-	2,100	(1,953)	-	-	147
Loss for the period	-	-	-	-	-	-	-	(13,358)	(13,358)
Issue of shares by placing	18,750	429,000	-	-	-	-	-	-	447,750
At 30 September 2021 (unaudited)	67,246	1,103,387	(7,122)	-	(3,000)	(17,791)	(1,998)	(280,357)	860,365

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 during the year ended 31 March 2020.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	Notes	Six months ended	
		2021	2020
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Operating activities			
Cash (used in) generated from operations		(233,524)	13,983
Interest paid		(25)	(2)
Tax refund		–	442
Net cash (used in) generated from operating activities		(233,549)	14,423
Investing activities			
Acquisition of property, plant and equipment	11	(709)	(2,951)
Acquisition of financial assets at fair value through profit or loss		(106,030)	–
Acquisition of financial assets at fair value through other comprehensive income		–	(23,271)
Other cash flows arising from investing activities		394	255
Net cash used in investing activities		(106,345)	(25,967)
Financing activities			
Redemption of promissory notes		–	(3,430)
Addition of corporate bonds		22,182	39,289
Repayment of corporate bond		(9,000)	–
Proceeds of new bank borrowings		35,000	–
Repayment of bank borrowings		(3,056)	(346)
Proceeds of issue of share by placing	18	447,750	–
Capital element of lease rentals paid		(1,454)	(2,188)
Interest element of lease rentals paid		(169)	(49)
Other cash flows arising from financing activities		(23,900)	(2,434)
Net cash generated from financing activities		467,353	30,842
Net increase in cash and cash equivalents		127,459	19,298
Cash and cash equivalents at 1 April		45,626	42,136
Effect of foreign exchange rate changes, net		(2,379)	1,214
Cash and cash equivalents at 30 September		170,706	62,648
Cash and cash equivalents represented by			
Bank balances and cash		170,706	62,648

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 2021 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”).

The unaudited condensed consolidated financial statements have been prepared on historical cost basis except that certain financial assets are stated at fair values. 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 2021, 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 2021, 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 HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	COVID-19-Related Rent Concessions

The application of these amendments to HKASs and HKFRSs has had no material effect on the amounts reported in these unaudited condensed consolidated financial statements and/or 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)*

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

Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination ²
HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	COVID-19-Related Rent Concession beyond 30 June 2021 ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021, earlier application is permitted

² Effective for annual periods beginning on or after 1 January 2022, earlier application is permitted

³ Effective for annual periods beginning on or after 1 January 2023, earlier application is permitted

⁴ Effective 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 and equity price risk), credit risk and liquidity 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 2021.

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.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

2(b). Financial Risk Management *(Continued)*

Financial assets and liabilities measured at fair value *(Continued)*

At 30 September 2021

	Fair Value HK\$'000 (unaudited)	Fair value measurements categorised into		
		Level 1 HK\$'000 (unaudited)	Level 2 HK\$'000 (unaudited)	Level 3 HK\$'000 (unaudited)
Financial asset at fair value through other comprehensive income				
– Listed equity securities	7,000	7,000	–	–
Financial assets at fair value through profit or loss				
– Listed equity securities	343	343	–	–
– Unlisted Funds	65,360	–	65,360	–
– Convertible instruments	50,000	–	–	50,000

At 31 March 2021

	Fair Value HK\$'000 (audited)	Fair value measurements categorised into		
		Level 1 HK\$'000 (audited)	Level 2 HK\$'000 (audited)	Level 3 HK\$'000 (audited)
Financial asset at fair value through other comprehensive income				
– Listed equity securities	4,900	4,900	–	–
Financial assets at fair value through profit or loss				
– Unlisted Funds	22,278	–	22,278	–

During the six months ended 30 September 2021, 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 2021, there were no transfers between levels of fair value hierarchy and no changes in valuation techniques in financial assets or financial liabilities.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

3. Segment and Revenue Information

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 | – | Provision of securities brokerage, margin financing, underwriting, placing and consultancy services |
| Insurance brokerage | – | Provision of insurance brokerage services |
| Fur | – | Operation of breeding, farming and sale of livestock and pelted skin, and provision of fur skin brokerage and financing services |
| Assets management | – | Provision and arrangement of fund and assets management services |
| Money lending | – | Provision and arrangement of money lending services |

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

3. Segment and Revenue Information (Continued)

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

Six months ended 30 September 2021

	Securities HK\$'000 (unaudited)	Insurance brokerage HK\$'000 (unaudited)	Fur HK\$'000 (unaudited)	Assets management HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
REVENUE	15,310	25,442	6,892	4,073	12,043	63,760
RESULTS						
Segment operating results	9,085	(1,945)	4,986	2,641	12,039	26,806
Reversal of impairment of loan receivables	-	-	-	-	15	15
Segment results	9,085	(1,945)	4,986	2,641	12,054	26,821
Other gains and losses, net						(12,233)
Finance costs						(6,530)
Unallocated corporate income						711
Unallocated corporate expenses						(20,797)
Loss before tax						(12,028)
Income tax expenses						(1,330)
Loss for the period						(13,358)

Other information

	Securities HK\$'000 (unaudited)	Insurance brokerage HK\$'000 (unaudited)	Fur HK\$'000 (unaudited)	Assets management HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Unallocated HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Additions of property, plant and equipment	36	188	-	19	-	466	709
Reversal of impairment of loan receivables	-	-	-	-	15	-	15
Depreciation of property, plant and equipment	785	525	3,377	4	-	15	4,706
Depreciation of right-of-use assets	-	1,197	205	-	-	-	1,402

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

3. Segment and Revenue Information *(Continued)*

Six months ended 30 September 2020

	Securities HK\$'000 (unaudited)	Insurance brokerage HK\$'000 (unaudited)	Fur HK\$'000 (unaudited)	Assets 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	(10,538)	2,479	2,527	9,602
Other gains and losses, net						2,531
Finance costs						(4,757)
Unallocated corporate income						1,969
Unallocated corporate expenses						(19,332)
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 HK\$'000 (unaudited)	Assets 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

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 2020: 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 2021

	Securities HK\$'000 (unaudited)	Insurance brokerage HK\$'000 (unaudited)	Fur HK\$'000 (unaudited)	Assets management HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
ASSETS						
Segment assets	633,139	7,357	146,252	3,113	260,171	1,050,032
Unallocated corporate assets						320,556
Total assets						1,370,588
LIABILITIES						
Segment liabilities	289,921	9,518	40,329	–	1,000	340,768
Unallocated corporate liabilities						169,455
Total liabilities						510,223

At 31 March 2021

	Securities HK\$'000 (audited)	Insurance brokerage HK\$'000 (audited)	Fur HK\$'000 (audited)	Assets management HK\$'000 (audited)	Money lending HK\$'000 (audited)	Total HK\$'000 (audited)
ASSETS						
Segment assets	554,324	8,891	154,507	4,261	91,017	813,000
Unallocated corporate assets						102,575
Total assets						915,575
LIABILITIES						
Segment liabilities	229,728	11,858	43,390	–	1,000	285,976
Unallocated corporate liabilities						203,773
Total liabilities						489,749

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	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers		
Insurance brokerage services income	25,442	36,012
Commission income from		
– Securities brokerage	1,822	2,353
– Underwriting, sub-underwriting, placing and sub-placing	429	4,748
Brokerage of fur skin and mink farming	6,892	18,794
Assets management services income	4,073	3,951
Revenue from other sources		
Interest income from margin financing, cash clients and Initial Public Offering (“IPO”) Loans	13,059	13,573
Interest income from money lending services	12,043	2,539
	63,760	81,970

Note: Commission and services 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 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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Hong Kong	56,868	63,176
Denmark	6,814	18,740
The People's Republic of China	78	54
	63,760	81,970

4. Other Income

	Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Administrative fee income	359	534
Bank interest income	10	5
Compensation income	9,227	–
Commission income	–	201
Dividend income	–	250
Handling income	1,951	265
Referral income	3,130	1,114
Rental and utilities income	856	961
Sundry income	186	1,042
	15,719	4,372

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:

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Foreign exchange gain, net	28	12
Change in fair value of biological assets	–	2,519
Change in fair value of financial assets at FVTPL	(12,240)	–
Loss on disposal of financial assets at FVTPL	(21)	–
	(12,233)	2,531

6. Finance Costs

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interests on:		
– Bank borrowings	633	606
– Cash clients' accounts	1	–
– Corporate bonds (effective)	4,717	3,018
– Lease liabilities/finance leases (effective)	192	49
– Overdraft	946	1,082
– Other creditors	41	2
	6,530	4,757

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	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Auditor's remuneration	59	64
Cost of inventories recognised as expenses	5,431	20,526
Depreciation of property, plant and equipment	4,706	3,916
Depreciation of right-of-use assets	1,402	2,046
Dividend income	–	(250)
Net foreign exchange gain	(28)	(12)
Reversal of impairment of loan receivables	(15)	–
Staff costs (including directors' remuneration)		
– retirement benefit scheme contributions	483	549
– salaries and allowances	20,834	21,175

8. Income Tax Expense

The charge comprises:

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
– Hong Kong Profits Tax	1,330	2,084
Total income tax expenses for the period	1,330	2,084

- (i) Hong Kong Profits Tax for the six months ended 30 September 2021 is calculated at 8.25% (six months ended 30 September 2020: 8.25%) on the first HK\$2 million of the estimated assessable profits and at 16.5% (six months ended 30 September 2020: 16.5%) on the estimated assessable profits above HK\$2 million according to the two-tiered profits tax rates regime.
- (ii) The Danish subsidiary is subject to Denmark Corporate Tax at 22% for the period (six months ended 30 September 2020: 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.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

9. Dividends

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: 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 2021 of approximately HK\$13,358,000 (six months ended 30 September 2020: approximately HK\$12,071,000) and the weighted average number of ordinary shares of 6,068,892,030 (six months ended 30 September 2020: 4,849,629,735 shares).

No diluted earnings per share for period ended 30 September 2021 and 2020 were presented as there were no potential ordinary shares in issue for both period.

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

(a) Owned property, plant and equipment

During the six months ended 30 September 2021, the Group spent approximately HK\$709,000 (six months ended 30 September 2020: approximately HK\$2,951,000) on acquisition of property, plant and equipment and there was no disposal of property, plant and equipment (six months ended 30 September 2020: Nil).

(b) Right-of-use assets

During the six months ended 30 September 2021, the Group did not enter into any lease agreement and therefore recognised the addition to right-of-use assets (six months ended 30 September 2020 HK\$821,000).

(c) Intangible asset

The Group had no acquisition and disposal of intangible asset for the six months ended 30 September 2021 and 2020.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

12. Trade and Other Receivables, Prepayments and Deposits

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Trade receivables from:		
Securities business (Note a)		
– Cash clients	139	29,108
– Margin clients	337,388	229,303
	337,527	258,411
Fur skins brokerage business (Note b)	116	53
Assets management business (Note c)	3,069	4,232
	340,712	262,696
Less: Provision for impairment of trade receivables	(13,046)	(13,046)
	327,666	249,650
Prepayments	1,380	1,934
Deposits	2,063	6,043
Other receivables	14,509	1,933
	345,618	259,560
Analysis for reporting purpose as:		
Current assets	344,350	258,282
Non-current assets – Deposits	1,268	1,278
	345,618	259,560

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 are two days after the trade date.

Cash clients

Cash clients are required to place cash deposits as prescribed in the Group's credit policy before execution of any purchase transactions. For overdue receivables, the management ensures that the listed securities belonging to clients in which the Group holds as custodian are sufficient to cover the amounts due to the Group.

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 2021, the fair values of the pledged securities amounted to approximately HK\$998,942,000 (31 March 2021: approximately HK\$822,236,000).

- (b) The Group allows a credit period ranging from 0 to 120 days to its customers from the business of fur skin brokerage.
- (c) The Group allows a credit period ranging from 0 to 90 days to its customers from the business of assets management.

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

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Margin clients balances:		
No due date	324,342	216,257
Cash clients balances:		
Neither past due nor impaired	6	433
Past due but not impaired	133	28,675
	139	29,108
	324,481	245,365

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

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

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 aging analysis of the Group's trade receivables from the business of fur skin brokerage, net of allowance for ECL, based on invoice dates are as follows:

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
0–60 days	37	53
61–90 days	79	–
	116	53

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

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
0–60 days	2,432	3,595
61–90 days	27	27
Over 90 days	610	610
	3,069	4,232

The aging analysis of the Group's trade receivables from the business of assets management which are past due but not impaired are as follows:

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Overdue by:		
1–30 days	27	27
31–90 days	82	27
Over 90 days	501	556
	610	610

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

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

Receivables were related to customers for whom there was no recent history of default. As at 30 September 2021, the Group has assessed the recoverability of the receivables that were past due and considered any change in the credit quality of the trade receivables from the date when credit was initially granted and subsequent settlement after the end of the reporting period. In the opinion of the directors of the Company, no allowance for ECL has been recognised because there has not been a significant change in credit quality of these debtors and the amounts are still considered recoverable based on the good payment record of the customers and subsequent settlement after the end of the reporting period.

13. Loan Receivables

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Loans from money lending business – secured	216,000	56,807
Loans from money lending business – unsecured	37,368	29,869
Interest receivables	7,007	4,560
	260,375	91,236
Less: Provision for impairment	(204)	(219)
	260,171	91,017

The Group offered a credit period of 30 days to 16 months for the loans to its customers in money lending business with interest rate ranging from 10%–36% per annum (31 March 2021: 11%–48% per annum). The Group maintains strict control over its outstanding loans to minimise credit risk. Overdue balance is reviewed regularly by management. In the opinion of the directors of the Company, there is no further provision required in excess of the allowance ECL.

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 due date and net of allowance for ECL at 30 September 2021 and 31 March 2021:

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
No past due	235,990	48,454
Overdue by:		
1–30 days	1,009	32,111
31–60 days	245	311
61–90 days	–	311
Over 90 days	22,927	9,830
	260,171	91,017

Loan receivables related to customers for whom there is no recent history of default.

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

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Balance at beginning of the period/year	219	–
(Reversal of)/provision for the period/year	(15)	219
Balance at end of the period/year	204	219

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

14. Trade and Other Payables

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Trade payables from:		
Securities brokerage business (Note a)		
– Cash clients	36,880	28,476
– Margin clients	130,229	159,382
– Clearing house	21,938	6,870
– Brokers	1,542	–
	190,589	194,728
Insurance brokerage business (Note b)	3,910	5,003
	194,499	199,731
Other payables:		
Accruals	826	3,453
Corporate bond interest payables	2,269	1,593
Other loan interest payable	8	86
Value-added tax payable	3,089	1,979
Other operating expenses payables	1,166	571
Others	241	11
	202,098	207,424

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

14. Trade and Other Payables (Continued)

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 2021: 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) Based on the invoice dates, aging analysis of trade payables from insurance brokerage business as follow:

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
0–60 days	3,720	3,498
61–90 days	139	978
91–120 days	5	–
Over 120 days	46	527
	3,910	5,003

15. Bank and Other Borrowings

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Revolving loans	70,000	35,000
Bank overdraft	40,046	42,901
Loan from other creditor	1,000	1,000
	111,046	78,901

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

16.Amount Due to a Director/Shareholder

The amounts due are unsecured, interest-free and repayable on demand.

17.Corporate Bonds

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

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Maturity:		
Within one year	36,300	37,200
In more than one year but not more than two years	92,406	79,717
In more than two years but not more than three years	33,602	32,209
	162,308	149,126
Less: Amounts due for settlement within 12 months (shown under current liabilities)	(36,300)	(37,200)
Amounts due for settlement after 12 months (shown under non-current liabilities)	126,008	111,926

At end of the reporting period, the Group has issued corporate bonds with aggregate amount of HK\$151,820,000 and US\$1,350,000 (equivalent to approximately HK\$10,488,000) (31 March 2021: HK\$142,520,000 and US\$850,000 (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 quarterly, 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.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

18. Share Capital

	30 September 2021		31 March 2021	
	Number of shares	Nominal value of ordinary shares HK\$'000 (unaudited)	Number of shares	Nominal value of ordinary shares HK\$'000 (audited)
Authorised:				
Ordinary shares of HK\$0.01 each	10,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid:				
At the beginning of period/year	4,849,629,735	48,496	4,849,629,735	48,496
Placing of shares (Note)	1,875,000,000	18,750	–	–
At the end of the period/year	6,724,629,735	67,246	4,849,629,735	48,496

Note: On 4 June 2021, a total of 1,875,000,000 ordinary shares were issued upon placing at an aggregate consideration of approximately HK\$447,750,000 of which approximately HK\$18,750,000 was credited to share capital and the remaining balance of approximately HK\$429,000,000 was credited to the share premium account.

19. Material Related Party Transactions

(a) Personal guarantee for corporate bonds

Corporate bonds of HK\$80,626,000 as at 30 September 2021 (31 March 2021: HK\$121,626,000) were secured by personal guarantee from Mr. Chen Jiajun, who is also the controlling shareholder and executive director of the Company (“Mr. Chen Jiajun”).

(b) Corporate bond holder

As at 30 September 2021, a corporate bond of HK\$14,000,000 (31 March 2021: HK\$14,000,000) was held by Kingkey Investment Fund SPC – KKDF Selected Fund SP, which is wholly held by Mr. Chen Jiajun.

(c) Personal guarantee and pledge of personal assets for bank borrowings

Bank borrowings of HK\$70,000,000 as at 30 September 2021 (31 March 2021: HK\$35,000,000) were secured by personal guarantee from the father of Mr. Chen Jiajun and cash deposits of HK\$35,000,000 (31 March 2021: HK\$17,500,000).

(d) Entered into licensed agreement with related parties

During the six months ended 30 September 2021, the Group paid approximately HK\$2,876,000 (six months ended 30 September 2020: HK\$2,310,000) license and utilities expense to Kingkey Enterprise Hong Kong Limited, which Mr. Chen Jiarong, who is the brother of Mr. Chen Jiajun, owns the entire equity interest in and is the sole director of Kingkey Enterprise Hong Kong Limited.

20. Reclassification

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue and Segment Results

Revenue of the Group for the six months ended 30 September 2021 was approximately HK\$63.8 million (2020: approximately HK\$82.0 million).

Securities

During the six months ended 30 September 2021, 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\$15.3 million (2020: approximately HK\$20.7 million), representing a decrease of approximately 26.1% as compared to last corresponding period. The decrease was mainly due to the drop in commission income arisen from acting as share placing agent and IPO underwriting as the market became sluggish after a short-term boom in stock market ended in February.

The segment profit of securities business was reported approximately HK\$9.1 million for the six months ended 30 September 2021 (2020: profit of approximately HK\$14.6 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 2021, revenue from insurance brokerage business amounted to approximately HK\$25.4 million (2020: approximately HK\$36.0 million), representing commission income received from brokerage and dealing in insurance and mandatory provident fund products. The decrease in revenue was attributable to the decrease in commission income from channeling business. The segment loss of insurance brokerage business was reported approximately HK\$1.9 million (2020: profit of approximately HK\$0.6 million).

Fur

The Group's fur business consists of mink farming, fur skin brokerage and financing. For the six months ended 30 September 2021, the Group's fur business revenue was decreased by 63.3% or HK\$11.9 million compared with the corresponding period of 2020 to approximately HK\$6.9 million (2020: approximately HK\$18.8 million).

The fur business reported segment profit of approximately HK\$5.0 million for the six months ended 30 September 2021 (2020: loss of approximately HK\$10.5 million). The segment profit was mainly attributable to the compensation income received from Danish government for subsidising mainly for the loss of the minks culled.

MANAGEMENT DISCUSSION AND ANALYSIS

Assets management

Kingkey Asset Management Limited was licensed to conduct type 9 (asset management) regulated activities under the Securities and Future Ordinance. It provides portfolio management services to its clients. The business is in the growing stage, which contributed a revenue of approximately HK\$4.1 million (2020: HK\$4.0 million) to the Group.

The asset management business reported segment profit of approximately HK\$2.6 million for the six months ended 30 September 2021 (2020: profit of approximately HK\$2.5 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\$50 million and all loans were made to independent third parties.

The provision and arrangement of money lending business contributed approximately HK\$12.0 million and HK\$12.1 million for segment revenue and profit respectively to the Group for the six months ended 30 September 2021 (2020: approximately HK\$2.5 million for both segment revenue and profit).

Other income

Other income for the six months ended 30 September 2021 was approximately HK\$15.7 million compared to approximately HK\$4.4 million for the corresponding period last year. The increase was mainly due to HK\$9.2 million compensation income received from Danish government for fur business to subsidise mainly for the loss of the minks culled.

Administrative expenses

Administrative expenses increased by approximately 8.5% to approximately HK\$48.5 million (2020: approximately HK\$44.7 million). The increase was mainly due to increase in distribution fee for assets management business and professional fees.

Finance costs

For the six months ended 30 September 2021, the finance costs, which mainly represented the interest expenses for the corporate bonds and bank overdrafts. It was increased by approximately 35.4% to approximately HK\$6.5 million (2020: approximately HK\$4.8 million) mainly due to the increase of aggregate amount of corporate bond issued and thus the corporate bond interest.



MANAGEMENT DISCUSSION AND ANALYSIS

Loss for the period

Loss for the period of approximately HK\$13.4 million was reported for the six months ended 30 September 2021 (2020: loss of approximately HK\$12.1 million).

Dividend

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

Significant investments and acquisition

Subsequently on 4 June 2021 (after trading hours), the Company (the “Purchaser”) and Great Return Group Limited (the “Vendor”) entered into a sale and purchase agreement, pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, 70 shares or 70% of issued equity of FGA Holdings Limited (the “Target Company”), at the total consideration of US\$35 million (equivalent to approximately HK\$271.6 million), which shall be satisfied by the issue and allotment of up to 1,131,666,666 new shares of the Company at HK\$0.24 each Consideration Share by the Purchaser to the Vendor in four (4) instalments subject to certain adjustments on valuation of the Target Company and profit guarantee provided by the Vendor.

Up to the date of this report, the acquisition has yet completed. For more details of the acquisition, please refer to the announcement of the Company dated 4 June 2021.

Save as disclosed above, the Group has no significant investment and acquisition that are required to disclose under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the period (2020: 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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\$170.7 million as at 30 September 2021 (31 March 2021: approximately HK\$45.6 million). The net assets of the Group as at 30 September 2021 were approximately HK\$860.4 million (31 March 2021: approximately HK\$425.8 million).

As at 30 September 2021, the outstanding principal of the short and medium-term bonds was approximately HK\$162.3 million (31 March 2021: approximately HK\$149.1 million), which were denominated in Hong Kong Dollar and US Dollar at fixed rates ranging from 0% to 9%. Corporate bonds of HK\$80,626,000 as at 30 September 2021 (31 March 2021: HK\$121,626,000) 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 2021, all of the fund has been utilized for business development and supporting business operation.

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”).

On 21 February 2021, the Company entered into the placing agreement with BaoQiao Partners Securities (HK) Limited (the “Placing Agent”), pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis, of up to 1,875,000,000 shares (the “Placing Shares”) to not less than six places (the “Placing”) at a price of HK\$0.24 per share (the “Placing Price”). The Placing Price represented (i) a discount of approximately 48.39% to the closing price of HK\$0.465 per share as quoted on the Stock Exchange on the last trading day immediately prior to the date of the agreement for the Placing; (ii) a discount of approximately 25.93% to the average closing price of HK\$0.324 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the agreement of the Placing; (iii) a discount of approximately 16.96% to the average closing price of approximately HK\$0.289 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to the date of the agreement of the Placing; and (iv) a discount of approximately 14.59% to the average closing price of approximately HK\$0.281 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days immediately prior to the date of the agreement of the Placing. The Placing represented approximately 38.66% of the issued share capital of the Company as at the date of the signing the agreement and approximately 27.88% of the enlarged share capital of the Company. The gross and net proceeds raised from the Placing was approximately HK\$450 million and HK\$447.2 million respectively. Of the net proceeds raised, approximately HK\$125.0 million or 27.95% of the net proceeds would be applied for establishing and seeding multiple investment funds and approximately HK\$322.2 million or 72.05% of the net proceeds for the development of existing securities brokerage and financial services business and as working capital and general corporate purposes for the Group. An extraordinary general meeting was required to be convened to obtain the approval from the shareholders of the Company (the “Shareholders”) to issue the Placing Shares and such general meeting was duly held on 24 May 2021 and the resolution to issue the Placing Shares was duly approved by the Shareholders. The Placing was completed on 11 June 2021 with all 1,875,000,000 Placing Shares successfully placed.

MANAGEMENT DISCUSSION AND ANALYSIS

For more details of the Placing, please refer to the announcement dated 21 February 2021 and the circular dated 30 April 2021. The details of the intended and actual use of proceeds are as below:

	Intended Use HK\$	Actual Use HK\$
(1) Establishing and seeding multiple investment funds	125 million	55 million
(2) Expanding the Group's securities brokerage and other financial services business	200 million	200 million
(3) Developing corporate image and expanding sales and marketing activities of the Group's financial services businesses	20 million	0.5 million
(4) Enhancing the IT system	10 million	0.3 million
(5) Group's general working capital and other general corporate purpose as well as investments in financial projects with high potential	92.2 million	71.2 million

The industry of the fund focuses on biological technology. Since the investments mentioned above did not exceed 5% of any applicable ratios under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, no disclosure by way of announcement was required.

As at 30 September 2021, the Company had 6,724,629,735 shares in issue.

Capital Commitment and Contingent Liability

The Group had no material capital commitment and contingent liability as at 30 September 2021 (31 March 2021: Nil).

Charge of Assets

The Group pledged plant and machinery with amount before impairment of DKK6,353,000 (approximately HK\$7,829,000) and inventories of DKK57,588,000 (approximately HK\$70,966,000) to secure banking facilities granted to the Group (31 March 2021: plant and machinery with amount before impairment of DKK7,391,000 (approximately HK\$9,072,000) and inventories of DKK61,948,000 (approximately HK\$76,041,000)).

As at 30 September 2021, the Group has pledged HK\$35 million bank deposits as security given to a bank for a facility (31 March 2021: HK\$17.5 million).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 2021, 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 2021, 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	50.02%
Mr. WONG, Chun Chau (Note 3)	Beneficial owner	40,698,240	0.61%
Ms. KWOK, Yin Ning	Beneficial owner	15,809,600	0.23%

Notes:

- Such percentage was calculated against the number of issued shares of the Company as at 30 September 2021, being 6,724,629,735 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.
- Mr. Wong Chun Chau retired on 4 October 2021.

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 2021.

Save as disclosed above, as at 30 September 2021, 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 2021, 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	50.02%

Notes:

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 2021, being 6,724,629,735 shares.

Save as disclosed above, as at 30 September 2021, 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.

During the six months ended 30 September 2021, no share options have been granted, exercised, lapsed or cancelled under both the Pre-IPO Share Option Scheme and Share Option Scheme.

OTHER INFORMATION

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 2021 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 2021, 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 2021.

Employees and Emolument Policy

As at 30 September 2021, the Group had 72 full-time employees (31 March 2021: 76). 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 2021.

By Order of the Board
Kingkey Financial International (Holdings) Limited
Chen Jiajun
Executive Director

Hong Kong, 26 November 2021

