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KINGKEY FINANCIAL INTERNATIONAL (HOLDINGS) LIMITED

京基金融國際(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01468)

ANNUAL RESULTS ANNOUNCEMENT

For the year ended 31 March 2021

The board of Directors (the “Board”) presents the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2021 together with comparative figures for the corresponding year in 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	3	148,642	125,041
Cost of sales		(52,731)	(84,115)
Gross profit		95,911	40,926
Other income		11,768	7,788
Other gains and losses, net		(3,098)	(7,139)
Reversal of (provision for) impairment of trade receivables, net		1,450	(11,934)
(Provision for) reversal of impairment of loan receivables		(219)	96
Provision for impairment of other receivables		(5,102)	—
Administrative expenses		(96,428)	(92,053)
Finance costs		(9,181)	(8,413)
Loss before tax	5	(4,899)	(70,729)
Income tax expense	6	(3,541)	(151)
Loss for the year		(8,440)	(70,880)

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Other comprehensive income (expense):			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas operations		7,178	(3,797)
Item that will not be reclassified subsequently to profit or loss:			
Fair value changes of financial assets at fair value through other comprehensive income		(50)	(5,050)
Other comprehensive income (expense) for the year, net of tax		7,128	(8,847)
Total comprehensive expense for the year		(1,312)	(79,727)
Loss for the year attributable to:			
Owners of the Company		(8,440)	(70,314)
Non-controlling interests		—	(566)
		(8,440)	(70,880)
Total comprehensive expense for the year attributable to:			
Owners of the Company		(1,312)	(79,161)
Non-controlling interests		—	(566)
		(1,312)	(79,727)
Loss per share	8		
Basic		(0.17) cents	(1.49) cents
Diluted		(0.17) cents	(1.49) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment		83,534	80,843
Right-of-use assets		6,461	2,522
Goodwill		106,814	106,814
Intangible asset		500	500
Financial assets at fair value through profit or loss		19,819	—
Financial assets at fair value through other comprehensive income		4,900	4,950
Deposits	9	1,278	404
		223,306	196,033
Current assets			
Financial assets at fair value through profit or loss		2,459	—
Biological assets		—	6,714
Inventories		76,041	57,770
Trade and other receivables, prepayments and deposits	9	258,282	298,296
Loan receivables	10	91,017	15,000
Amounts due from related companies		2,352	1,193
Tax recoverable		—	527
Pledged bank deposits		17,500	—
Bank balances held on behalf of clients		198,992	25,445
Bank balances and cash		45,626	42,136
		692,269	447,081
Current liabilities			
Trade and other payables	11	207,424	36,649
Tax payables		9,983	6,635
Bank and other borrowings		78,901	82,336
Lease liabilities		2,944	2,708
Amount due to a related company		1,107	—
Amount due to a director		24,864	21,000
Amount due to a shareholder		11,000	15,000
Corporate bonds		37,200	15,500
Promissory notes		—	3,430
		373,423	183,258

		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net current assets		318,846	263,823
Total assets less current liabilities		542,152	459,856
Non-current liabilities			
Lease liabilities		4,400	—
Corporate bonds		111,926	32,718
		116,326	32,718
Net assets		425,826	427,138
Capital and reserve			
Share capital	12	48,496	48,496
Reserves		377,330	378,642
Total equity		425,826	427,138

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

1. GENERAL

Kingkey Financial International (Holdings) Limited (the “Company”) is a public limited company incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 20 March 2015. In the opinion of the Directors of the Company, the ultimate holding company of the Company is Kingkey Holdings (International) Limited (“Kingkey Holdings”) which is a private limited company incorporated in the British Virgin Islands. Its controlling shareholder is Mr. Chen Jiajun, who is also the executive director of the Company.

The address of the registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is located at 902, Harbour Centre, Tower 2, 8 Hok Cheung Street, Hunghom, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are provision of securities brokerage, insurance brokerage, assets management services, mink farming in Denmark, fur skin brokerage and money lending services.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to Hong Kong Accounting Standards (“HKASs”) and HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the following amendments to HKASs and HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

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

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

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

HKFRS 17	Insurance Contracts and the related Amendments ⁵
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁵
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁵
Amendments to HKAS 8	Definition of Accounting Estimates ⁵
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction ⁵
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ⁴
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁶
Amendment to HKFRS 16	COVID-19-Related Rent Concessions ¹
Amendment to HKFRS 16	COVID-19-Related Rent Concession beyond 30 June 2021 ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ⁴
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination ⁴

¹ Effective for annual periods beginning on or after 1 June 2020, earlier application permitted

² Effective for annual periods beginning on or after 1 January 2021, earlier application permitted

³ Effective for annual periods beginning on or after 1 April 2021, earlier application permitted

⁴ Effective for annual periods beginning on or after 1 January 2022, earlier application permitted

⁵ Effective for annual periods beginning on or after 1 January 2023, earlier application permitted

⁶ Effective date to be determined

The directors of the Company anticipate that the application of all new, revised and amendments to HKASs and HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers		
Insurance brokerage services income	65,902	82,047
Commission income from		
— securities brokerage	5,095	2,316
— underwriting, sub-underwriting, placing and sub-placing	6,504	12,814
Brokerage of fur skin	33	599
Mink farming	23,384	1,406
Fund management services income	4,785	—
Assets management services income	8,241	50
Revenue from other sources		
Interest income from margin financing services	24,427	22,172
Interest income from money lending services	10,271	3,627
Interest income from fur brokerage	—	10
	<u>148,642</u>	<u>125,041</u>

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. Fund and assets management services income are recognised at point over time.

4. SEGMENT INFORMATION

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

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

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

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

For the year ended 31 March 2021

	Securities HK\$'000	Insurance brokerage HK\$'000	Fur HK\$'000	Assets management HK\$'000	Money lending HK\$'000	Total HK\$'000
Revenue	<u>36,026</u>	<u>65,902</u>	<u>23,417</u>	<u>13,026</u>	<u>10,271</u>	<u>148,642</u>
RESULTS						
Segment operating results	21,699	(1,708)	6,029	10,713	10,032	46,765
Reversal of impairment of trade receivables, net	1,450	—	—	—	—	1,450
Provision for impairment of loan receivables	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(219)</u>	<u>(219)</u>
Segment results	23,149	(1,708)	6,029	10,713	9,813	47,996
Other gains and losses, net						(3,098)
Finance costs						(9,181)
Unallocated corporate income						3,506
Unallocated corporate expenses						<u>(44,122)</u>
Loss before tax						(4,899)
Income tax expense						<u>(3,541)</u>
Loss for the year						<u><u>(8,440)</u></u>

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

Other information

	Securities <i>HK\$'000</i>	Insurance brokerage <i>HK\$'000</i>	Fur <i>HK\$'000</i>	Assets management <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions of property, plant and equipment	2,910	2,624	—	29	—	—	5,563
Reversal of write-down of inventories	—	—	(12,207)	—	—	—	(12,207)
Reversal of impairment of trade receivables, net	(1,450)	—	—	—	—	—	(1,450)
Provision for impairment of loan receivables	—	—	—	—	219	—	219
Provision for impairment of other receivables	—	—	—	—	—	5,102	5,102
Depreciation of property, plant and equipment	1,425	867	6,193	6	—	6	8,497
Depreciation of right-of-use assets	—	2,688	483	—	—	834	4,005
Write-off of biological assets due to COVID-19 pandemic	—	—	7,382	—	—	—	7,382
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For the year ended 31 March 2020

	Securities <i>HK\$'000</i>	Insurance brokerage <i>HK\$'000</i>	Fur <i>HK\$'000</i>	Assets management <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>37,302</u>	<u>82,047</u>	<u>2,015</u>	<u>50</u>	<u>3,627</u>	<u>125,041</u>
RESULTS						
Segment operating results	20,637	(2,962)	(32,701)	(147)	3,604	(11,569)
Provision for impairment of trade receivables, net	(11,934)	—	—	—	—	(11,934)
Reversal of impairment of loan receivables	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>96</u>	<u>96</u>
Segment results	8,703	(2,962)	(32,701)	(147)	3,700	(23,407)
Other gains and losses, net						(7,139)
Finance costs						(8,413)
Unallocated corporate income						926
Unallocated corporate expenses						<u>(32,696)</u>
Loss before tax						(70,729)
Income tax expense						<u>(151)</u>
Loss for the year						<u><u>(70,880)</u></u>

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

Other information

	Securities <i>HK\$'000</i>	Insurance brokerage <i>HK\$'000</i>	Fur <i>HK\$'000</i>	Assets management <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions of property, plant and equipment	63	—	—	—	—	13	76
Change in fair value of biological assets	—	—	(2,040)	—	—	—	(2,040)
Impairment of property, plant and equipment	—	—	9,162	—	—	—	9,162
Write-down of inventories	—	—	3,497	—	—	—	3,497
Provision for impairment of trade receivables, net	11,934	—	—	—	—	—	11,934
Reversal of impairment of loan receivables	—	—	—	—	(96)	—	(96)
Depreciation of property, plant and equipment	1,312	746	10,378	—	—	6	12,442
Depreciation of right-of-use assets	—	1,919	642	—	—	6,744	9,305
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Segment results represent the result from each segment without allocation of central administration costs including directors' remuneration, other gains and losses, net, unallocated other income, finance costs, provision for impairment of other receivables and income tax expense, which are reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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

- all assets other than other receivables, prepayments and deposits, financial assets at FVTPL, financial assets at FVTOCI, property, plant and equipment, amounts due from related companies, pledged bank deposit, bank balances and cash and tax recoverable are allocated to reportable segments. Goodwill is allocated to segment of securities. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segment; and
- all liabilities other than accrued expenses and other payables, amount due to a director/ a shareholder/a related company, corporate bonds, tax payables and promissory notes are allocated to reportable segments. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Geographical information

The Group mainly operates in Hong Kong and Denmark.

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

	Revenue from external customers		Non-current assets	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
The People's Republic of China	33	609	—	—
Hong Kong	125,225	123,026	145,372	117,484
Denmark	23,384	1,406	77,934	78,549
	<u>148,642</u>	<u>125,041</u>	<u>223,306</u>	<u>196,033</u>

Information about major customers

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

	2021 HK\$'000	2020 HK\$'000
Customer A (Segment: Fur) (<i>Note a</i>)	23,384	N/A
Customer B (Segment: Insurance brokerage) (<i>Notes a, c</i>)	19,681	N/A
Customer C (Segment: Insurance brokerage) (<i>Notes b, c</i>)	N/A	46,098
Customer D (Segment: Insurance brokerage) (<i>Notes b, c</i>)	N/A	12,267

Note a: Revenue from this customer contributed less than 10% of the Group's total revenue for the year ended 31 March 2020.

Note b: Revenue from this customer contributed less than 10% of the Group's total revenue for the year ended 31 March 2021.

Note c: This customer is an insurance product issuer.

No other single customer contributed 10% or more to the Group's revenue for both years ended 31 March 2021 and 2020.

5. LOSS BEFORE TAX

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

	2021 HK\$'000	2020 HK\$'000
Auditor's remuneration	1,009	927
(Reversal of) provision for impairment of trade receivables, net	(1,450)	11,934
Provision for (reversal of) impairment of loan receivables	219	(96)
Provision for impairment of other receivables	5,102	—
Cost of inventories recognised as expenses	12,501	5,382
Depreciation of property, plant and equipment	8,497	12,442
Depreciation of right-of-use assets	4,005	9,305
Impairment of property, plant and equipment	—	9,162
(Reversal of) write-down of inventories	(12,207)	3,497
Net foreign exchange (gain) loss, net	(44)	17
Operating lease rental for short-term leases	4,753	937
Staff costs (including directors' remuneration)		
— salaries and allowance	44,346	38,415
— retirement benefits scheme contributions	1,432	1,576
Loss on write-off of property, plant and equipment	58	—
Write-off of biological assets due to COVID-19 pandemic	7,382	—

6. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax expense		
Hong Kong Profits Tax	<u>3,541</u>	<u>208</u>
Over provision in prior years		
Hong Kong Profits Tax	<u>—</u>	<u>(57)</u>
Total income tax expense for the year	<u><u>3,541</u></u>	<u><u>151</u></u>

Hong Kong Profits Tax for the years ended 31 March 2021 and 2020 is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for the qualifying entity within the Group according to the two-tiered profits tax rates regime. For all other entities in Hong Kong, profits tax is calculated at 16.5% on the assessable profits.

Subsidiary in Denmark is subject to Denmark Corporation Tax at 22% for the year (2020: 22%). No provision has been made for Denmark corporate tax as the tax losses brought forward from previous year exceed the estimated assessable profits for the year.

7. DIVIDENDS

No dividend was paid or proposed for the years ended 31 March 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the loss attributable to owners of the Company for the year ended 31 March 2021 of approximately HK\$8,440,000 (2020: approximately HK\$70,314,000) and the number of 4,849,629,735 ordinary shares (2020: weighted average number of ordinary shares 4,709,145,735) in issue during the year.

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.

9. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables from:		
Securities brokerage business (<i>Note a</i>)		
— Cash clients	29,108	36,596
— Margin clients	229,303	258,574
— Clearing house	—	773
	<hr/>	<hr/>
	258,411	295,943
Fur skins brokerage business (<i>Note b</i>)	53	—
Assets management business (<i>Note c</i>)	4,232	—
	<hr/>	<hr/>
	262,696	295,943
Less: Provision for impairment of trade receivables	(13,046)	(14,496)
	<hr/>	<hr/>
	249,650	281,447
Prepayments	1,934	1,827
Deposits	6,043	6,694
Other receivables (<i>Note d</i>)	1,933	8,732
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	259,560	298,700
	<hr/> <hr/>	<hr/> <hr/>
Analysis for reporting purpose as:		
Current assets	258,282	298,296
Non-current assets	1,278	404
	<hr/>	<hr/>
	259,560	298,700
	<hr/> <hr/>	<hr/> <hr/>

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 held as collaterals for margin lending at a specified loan-to-collateral ratio. The credit facility limits granted to margin clients are determined by the discounted value of the securities collaterals accepted by the Company's management. A margin call may occur when the balances of the outstanding receivables from margin clients exceed the permitted margin loan limit, or when the discounted value of the collateral securities is less than the balances due from margin clients.

As at 31 March 2021, the fair value of the pledged securities amounted to approximately HK\$822,236,000 (2020: approximately HK\$521,336,000).

Clearing house

Trade receivables from a clearing house represents outstanding balance pending to be settled arising from the business of dealing in securities, which are normally due within two trading days after the trade date.

- (b) The Group allows a credit period ranging from 0 day to 120 days to its customers from the business of fur skin brokerage.
- (c) The Group allows a credit period ranging from 0 day to 90 days to its customers from the business of assets management.
- (d) During the reporting period, there was HK\$5,102,000 provision for impairment on other receivable recognised in profit or loss (2020: Nil).

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

	2021 HK\$'000	2020 HK\$'000
Margin clients balances:		
No due date	<u>216,257</u>	<u>244,302</u>
Cash clients balances:		
Neither past due nor impaired	433	32,816
Past due but not impaired	<u>28,675</u>	<u>3,556</u>
	<u>29,108</u>	<u>36,372</u>
Other balances:		
Neither past due nor impaired	<u>—</u>	<u>773</u>
	<u>245,365</u>	<u>281,447</u>

Provision of ECL allowance of trade receivables from the business of securities is as follow:

	2021 HK\$'000	2020 HK\$'000
Balance at beginning of the year	14,496	2,562
Provision for impairment under ECL	1,421	13,030
Recovery during the year	<u>(2,871)</u>	<u>(1,096)</u>
Balance at end of the year	<u>13,046</u>	<u>14,496</u>

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 after the end of the reporting period. In the opinion of the directors of the Company, there is no further credit provision required in excess of the allowance for ECL.

The 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 — 60 days	<u>53</u>	<u>—</u>

Trade receivables from the business of fur skin brokerage that were neither past due nor impaired related to customers for whom there is no recent history of default.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 — 60 days	3,595	—
61 — 90 days	27	—
Over 90 days	<u>610</u>	<u>—</u>
	<u>4,232</u>	<u>—</u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Overdue by:		
1 — 30 days	27	—
31 — 90 days	27	—
Over 91 days	<u>556</u>	<u>—</u>
	<u>610</u>	<u>—</u>

Receivables were related to customers for whom there was no recent history of default. As at 31 March 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.

10. LOAN RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loans from money lending business — unsecured	29,869	15,000
Loans from money lending business — secured	56,807	—
Interest receivables	4,560	—
	<u>91,236</u>	<u>15,000</u>
Less: Provision for impairment	(219)	—
	<u>91,017</u>	<u>15,000</u>

The Group offered a credit period ranging from 1 month to 1 year for the loans to its customers in money lending business with interest rate ranging from 11% p.a. to 48% p.a. (2020: from 13% p.a. to 48% p.a.). The Group maintains strict control over its outstanding loans to minimise credit risk. Overdue balances are reviewed regularly by the management.

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 31 March 2021 and 2020:

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
No past due	48,454	15,000
1-30 days	32,111	—
31-60 days	311	—
61-90 days	311	—
Over 90 days	9,830	—
	<u>91,017</u>	<u>15,000</u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance at beginning of the year	—	96
Provision for (reversal of) the year	219	(96)
	<u>219</u>	<u>—</u>

11. TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables from:		
Securities brokerage business (<i>Note a</i>)		
— Cash clients	28,476	13,135
— Margin clients	159,382	9,714
— Clearing house	6,870	3,349
	<u>194,728</u>	<u>26,198</u>
Mink farming business (<i>Note b</i>)	—	1,609
Insurance brokerage business (<i>Note c</i>)	5,003	5,246
	<u>199,731</u>	<u>33,053</u>
Other payables:		
Accruals	3,453	3,053
Corporate bonds interest payables	1,593	254
Other loan interest payable	86	—
Value-added tax payable	1,979	—
Other operating expenses payables	571	268
Others	11	21
	<u>207,424</u>	<u>36,649</u>

Notes:

- (a) Trade payables to securities clients represent the monies received from or payable to brokerage clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable rights to offset these payables with those balances receivable.

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% (2020: 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.

Included in trade payables from margin clients, five of the margin clients claimed against for the cash balances with total sum of approximately HK\$47.3 million in the five margin accounts. Further details refer to Note 14 to the annual result announcement.

- (b) Based on the invoice dates, aging analysis of trade payables from mink farming business are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 — 60 days	—	1,199
61 — 90 days	—	—
91 — 120 days	—	410
	<u>—</u>	<u>1,609</u>
	<u><u>—</u></u>	<u><u>1,609</u></u>

- (c) Based on the invoice dates, aging analysis of trade payables from insurance brokerage business are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 — 60 days	3,498	4,593
61 — 90 days	978	—
91 — 120 days	—	—
Over 120 days	527	653
	<u>5,003</u>	<u>5,246</u>
	<u><u>5,003</u></u>	<u><u>5,246</u></u>

12. SHARE CAPITAL

	<i>Note</i>	Number of ordinary shares of HK\$0.01 each	<i>HK\$'000</i>
Authorised:			
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021		10,000,000,000	100,000
		<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:			
At 1 April 2019		4,615,489,735	46,155
Placing of shares	(a)	234,140,000	2,341
		<u>234,140,000</u>	<u>2,341</u>
At 31 March 2020, 1 April 2020 and 31 March 2021		4,849,629,735	48,496
		<u>4,849,629,735</u>	<u>48,496</u>

During the year ended 31 March 2020, the movements in the Company's share capital are as follows:

- (a) During the year ended 31 March 2020, a total of 234,140,000 ordinary shares were issued upon placing at an aggregate consideration of approximately HK\$47,758,000 of which approximately HK\$2,341,000 was credited to share capital and the remaining balance of approximately HK\$45,417,000 was credited to the share premium account.

13. RECLASSIFICATION

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

14. LITIGATION

During the period from 22 January 2021 to 29 January 2021, Kingkey Securities Group Limited ("KKSG"), the wholly-owned subsidiary of the Company received five writ of summons issued in High Courts of Hong Kong by five different margin clients of KKSG, which claimed against KKSG for the cash balances with total sum of approximately HK\$54.3 million in the five margin accounts (which HK\$47.3 million being frozen and restricted from securities trading under the restriction notice issued by the regulator) and equity securities held as collateral of the respective five margin clients (the "Claims"), maintained with KKSG. The directors of the Company are of the view that the Claims have no merit.

The directors of the Company consider that no provision for the Claims is required as these margin clients withdrew HK\$7 million and the remaining amounts of the Claims of HK\$47.3 million have already been recorded as liabilities in Note 11 to the annual result announcement.

15. CONTINGENT ASSETS

In early November 2020, the Danish government found that minks carried the COVID-19 virus and the government instructed all mink breeders to cull all the minks within the country and banned mink farming until end of 2021. The Company was then required to cull all mink livestock in this regard.

Currently, a compensation proposal offered by the Danish government for the mink farming business has been in place to subsidise the mink farmers for their losses of the minks culled and the future loss of earnings. The Company acknowledged that the Danish government has promised compensation to all the Danish mink farmers. However, the compensation price for each culled mink is still subject to final confirmation from the Danish government. In this regard, the management of the Company considered that the amount of compensation cannot be reliably measured up to the reporting date.

16. EVENTS AFTER REPORTING PERIOD

- a) On 4 June 2021, a total of 1,875,000,000 Placing Shares have been successfully placed at the placing price of HK\$0.24 per Placing Share pursuant to the Placing Agreement. The net proceeds from the Placing received by the Company, after deducting all related costs, fees, expenses and commission, are approximately HK\$447.8 million, representing a net issue price of approximately HK\$0.2388 per Placing Share.
- b) On 4 June 2021, the Company (the “Purchaser”) and the Vendor entered into the Agreement, pursuant to which, the Purchaser has conditionally agreed to acquire 70% of Target Company and the Vendor has conditionally agreed to sell, the Sale Shares, 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 Consideration Shares at the Issue Price of HK\$0.24 per Consideration Share. Further information refers to the announcement published on 4 June 2021, 14 June 2021 and 28 June 2021. Up to date of the report, the acquisition has not yet been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

After we pulled through 2019, 2020 was still challenging but we performed better than we expected initially. The reasons are of three folds: i). While Hong Kong was still haunted by the COVID-19 and the economy was still gloomy, the influx of capital from the mainland China revived the Hong Kong stock market which our securities and brokerage business was benefited; ii) The prolonged loss making of fur business became profitable as a result of the increase of fur auction price due to the ban of running fur business countrywide by the Danish government when some minks were tested positive of the COVID-19; and iii) our cost control measures were effective. However, our wealth management business was negatively impacted by the disruption of connection with the mainland China as a result of the waves of outbreaks of the pandemic.

The influx of capital from the mainland China began from the 4th quarter last year to the 1st quarter of this year which contributed over HK\$100 billion of daily turnover in Hong Kong stock market. This not only increased the brokerage business of most Hong Kong securities brokerage firms but also the stimulated the market sentiment by revitalising transactions such as placing and initial public offerings where our securities business could earn commission income from these transactions. For the fur business, in spite of recent years' difficult business environment, the negative supply shock of mink fur as a result of the pandemic, culling all minks in Denmark and other countries such as the Netherlands, created an advantageous condition for our business line, and managed to turnaround recent years' loss-making financial results to a profitable one this year.

SECURITIES

Kingkey Securities Group Limited is the flagship company of the Group for the securities business, which has the permitted licences to carry out Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities under the Securities and Futures Ordinance ("SFO", Chapter 571 of the Laws of Hong Kong). For the year ended 31 March 2021, the business contributed approximately HK\$36.0 million revenue (2020: approximately HK\$37.3 million) and approximately HK\$18.1 million profit (2020: approximately HK\$2.8 million).

INSURANCE BROKERAGE

Kingkey Privilege Wealth Management Limited (“KKWM”) is our wealth management and insurance brokerage arm. As at 31 March 2021, it is registered with the Insurance Authority (“IA”) and Mandatory Provident Fund Schemes Authority (“MPFA”) and is operating a team of experienced insurance professionals with over 123 licensed representatives under IA and 50 licensed representatives under MPFA, having over 60% increment in salesforce compared with last financial year. 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, our platform providing 29 major life and general insurance providers for different types of clients. 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. KKWM has generated 1095 new clients and issued over 1587 number of policies during this financial year, and our platform are managing over 6300 insurance policies for over 4000 clients and has accumulated total Annualised First Year Premium (“AFYP”) amount of over HK\$158 million; with total Annualised First Year Commission (“AFYC”) amount of over HK\$47 million.

FUR

As indicated in our last interim report that the Danish government ordered all Danish mink farmers culled and pelted all the minks including breeders in Denmark because minks were found to have carried COVID-19 virus. Therefore, given the shortage of supply of minks due to the culling, the 2021 February Kopenhagen Fur (“KF”) auction started the new fur season with minks gone up by 50% in price comparing with last September KF auction. The March Saga Furs and April KF mink auctions kept on going up around 10% each auction. Under the new mink market price, our fur business is enjoying a great improvement in revenue. The Danish government has also promised a full scale compensation to all the Danish mink farmers, but we expect it may take some time as they have to hire mink experts to do physical inspection to over a thousand mink farms in Denmark.

ASSETS MANAGEMENT

We believe that asset management business is a market with huge potential. As a result, we commenced this business line in early 2020 and during the year, we have recruited a team of professionals in investment and fund management to serve our clients who are looking for fund managers to look after their assets and we earn service fee in return. All of them are qualified with Type 9 (asset management) regulated activities license under the Securities and Futures Commission and some of them had worked for reputable investment banks before joining us. As at 31 March 2021, revenue from provision of fund and asset management services recorded HK\$13.0 million (2020: HK\$0.05 million).

MONEY LENDING

For money lending business, the market's need for fund is still keen. In fact, our interest income recorded approximately HK\$10.3 million (2020:HK\$3.6 million) which showed an increase of approximately HK\$6.7 million or 186.1% while at the same time, the non-performing loan ratio is still low as a sign of our tight credit review procedures on the creditworthiness of creditors effective.

PROSPECTS

While the introduction of vaccine has started to keep the COVID-19 epidemic at bay in many developed countries, some developing countries are still under a great suffer in terms of both confirmed cases and death tolls. Despite relieved to a large extent compared with the most serious time, Hong Kong is still haunted by the virus and has yet got rid of its threat. In the meantime, the revival of the capital market is advantageous to our business and to leverage on the continuing development and opening up of the Mainland China financial market, particularly the Greater Bay Area, we believe that if we can seize the chance, we would be able to convert the challenge into opportunity. In light of this, we have raised, after the end of this financial year, approximately HK\$448 million of fund to develop our businesses in fund management and securities brokerage and financial services businesses, with an aim to striving for a better return to the Company and Shareholders.

On the other hand, we have also decided to enter into networking business by signing an agreement to acquire 70% of FGA Holdings Limited, which will be entitled to access to the networking business in the mainland China by using the trademarks of Forbes which we believe to be highly attractive to the business leaders, entrepreneurs and financial professionals which allows the Company to leverage on such brands to reach and connect with investors in Mainland China, and potentially enhance the client base in the Group's existing Financial Services Business. The synergistic combination of the Group and the Target Group not only leads to a greater market acceptance of the Company's brand and services in the financial services industry, but also presents new business opportunities for the Group to enhance the breadth and depth of its services along the value chain of financial services industry and strengthen the Group's ability to produce different but higher quality services to its customers.

For fur business, the mink skin brokers and dealers are actually enjoying a very good 2021 fur season because of the rising mink price. The mink farmers are also enjoying a higher profit margin season because the mink price is going up every single fur auction. Our fur group, especially with the 12 farms we have, will no doubt expect our 2021 season to be the best we ever had. Nevertheless, the outlook of the Group's fur business is still clouded by the uncertainty associated with the extended COVID-19 pandemic and the compensation arrangement for the mink farming business from the Danish government. We will be working hard with the Danish government to get the best compensation package. We will disclose by way of announcement when we have any material update or a final conclusion on compensation has come from the Danish government.

FINANCIAL REVIEW

Revenue and Segment Results

Revenue of the Group for financial year ended 31 March 2021 ("FY2021") was approximately HK\$148.6 million (FY2020: approximately HK\$125.0 million). The increase in revenue was mainly due to (i) the resumption of sales by auction of fur business in FY2021; (ii) startup business of providing fund and asset management services; and (iii) the growth in money lending business.

Securities

Kingkey Securities Group Limited was licensed to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under SFO. For FY2021, 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\$36.0 million (FY2020: approximately HK\$37.3 million), which is at a similar level as last year.

The securities brokerage commission increased from last year's approximately HK\$2.3 million to this year approximately HK\$5.1 million mainly due to the reviving of stock market and the improvement of market sentiment that more clients placed order to trade stocks.

The securities business reported segment profit of approximately HK\$18.1 million for FY2021 (FY2020: approximately HK\$2.8 million).

Insurance brokerage

Insurance brokerage represented the provision of insurance brokerage and wealth management services.

Kingkey Privilege Wealth Management Limited, the insurance brokerage arm of the Group, is registered with the Insurance Authority (“IA”). As at 31 March 2021, it is registered with IA and is operating a team of 123 licensed representatives under IA and 50 licensed representatives under Mandatory Provident Fund Schemes Authority, and is representing 29 major life and general insurance providers.

The business remained on track, albeit from the adverse effect of the coronavirus outbreak in early 2020. During FY2021, revenue from insurance brokerage, which represented commission income received from broking and dealing in insurance products amounted to approximately HK\$65.9 million (FY2020: approximately HK\$82.0 million). It reported a loss of approximately HK\$6.1 million for FY2021 (FY2020: profit of approximately HK\$0.07 million).

Fur

For FY2021, the Group’s fur business rebounded and the revenue amounted to approximately HK\$23.4 million (FY2020: approximately HK\$2.0 million). The increase was due to the increase in fur price as a result of infection of COVID-19 to mink that mink farming business was forced to close and to ban by the Danish government, leading to a shortage in supply. The fur business reported a profit of approximately HK\$3.9 million for FY2021 (FY2020: loss of approximately HK\$41.8 million).

Assets 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. For FY2021, the business recorded revenue from provision of fund and assets management services of HK\$13.0 million (FY2020: approximately HK\$0.05 million).

Money lending

Kingkey Finance Limited holds a money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). During the year, the Group conducted several money lending transactions and the individual loan size ranged from HK\$0.5 million to HK\$30 million.

The money lending business contributed interest income of approximately HK\$10.3 million to the revenue of the Group for FY2021 (FY2020: approximately HK\$3.6 million) and reported a profit of approximately HK\$3.3 million (FY2020: loss of approximately HK\$3.8 million). The interest rate charged was ranging from 11% to 48%, depending on the credit worthiness of the borrowers and the timeframe of the borrowing. During the FY2021, none of the creditors together with their associates (if any), had borrowed the amount more than 8% of the total assets of the Group in aggregate at any time.

Cost of sales

The cost of sales of the Group amounted to approximately HK\$52.7 million for FY2021, representing a decrease of approximately 37.3% from approximately HK\$84.1 million for the last corresponding period. The decrease in cost of sales was mainly due to i) the decrease in commission paid out and ii) reversal of inventory write-off.

Gross profit and gross profit margin

As a result of the above situations, the Group recorded a consolidated gross profit of approximately HK\$95.9 million or gross profit margin of 64.5% for FY2021, compared with that of approximately HK\$40.9 million or 32.7% for FY2020.

Other income

Other income increased by approximately HK\$4.0 million for FY2021, mainly due to government grant from the Hong Kong Government's Employment Support Scheme.

Reversal of impairment of trade receivables, net

The Group recognised a reversal of approximately of HK\$1.5 million from an adjustment in the expected credit loss of margin and cash loan client in securities business for FY2021, compared to a loss of HK\$11.9 million last year. The improvement in the expected credit loss was mainly due to the appreciation of clients' portfolios and repayment of loan.

Provision for impairment of loan receivables

The Group recognised a loss of approximately HK\$0.2 million from an adjustment in the expected credit loss of loan receivables in money lending business FY2021 (FY2020: reversal of HK\$0.1 million).

Administrative expenses

The administrative expenses of the Group increased by approximately 4.7% from approximately HK\$92.1 million for FY2020 to approximately HK\$96.4 million for FY2021. The increase in the administrative expenses was primarily due to the increase in salaries as a result of the increase in headcounts and professional fees.

Finance costs

Finance costs, which mainly represented interest expenses for corporate bonds interest and bank borrowings, were approximately HK\$9.2 million for FY2021 (FY2020: approximately HK\$8.4 million). The increase in finance costs was mainly due to the increase in corporate bonds interest, exceeded the decrease in the bank borrowing costs.

Loss for the year

Combined with the above factors, the Group reported a loss for the year to approximately HK\$8.4 million (FY2020: approximately HK\$70.9 million).

Liquidity, Financial Resources and Capital Structure

The Group mainly finances its operations with internally generated cash flow, bank borrowings and equity/debt financings. The Group maintained bank balances and cash of approximately HK\$45.6 million as at 31 March 2021 (31 March 2020: approximately HK\$42.1 million) mainly in Hong Kong Dollar and United States Dollar. The net assets of the Group as at 31 March 2021 were approximately HK\$425.8 million (31 March 2020: approximately HK\$427.1 million).

As at 31 March 2021, the outstanding principal of the short and medium-term bonds was approximately HK\$149.1 million (31 March 2020: approximately HK\$48.2 million), which were denominated in Hong Kong Dollar and US Dollar at fixed coupon rates ranging from 0% to 9%, of which approximately HK\$121,626,000 as at 31 March 2021 (31 March 2020: approximately HK\$48,218,000) were guaranteed by Mr. Chen Jiajun, Executive Director and substantial shareholder of the Company, and all the proceeds were planned and in actual utilised for supporting business development as at 31 March 2021.

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 placees (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\$447.8 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 were successfully placed.

For more details of the Placing, please refer to the announcement dated 21 February 2021 and the circular dated 30 April 2021.

As at 31 March 2021, the total number of issued shares of the Company was 4,849,629,735.

FINANCIAL KEY PERFORMANCE

The above financial data were chosen to present in this annual report as they represent a material financial impact on the consolidated financial statements of the Group for the current and/or the previous financial year, that a change of which could affect the revenue and profit conspicuously. It is believed that presenting the changes of these financial data can effectively explain the financial performance of the Group for the year ended 31 March 2021.

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

FOREIGN CURRENCY MANAGEMENT

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

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

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

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

CHARGE OF ASSETS

As at 31 March 2021, the Group charged other plant and equipment and inventories of approximately DKK69,339,000 (approximately HK\$85,113,000) (2020: DKK76,978,000, approximately HK\$88,132,000) for bank borrowings.

As at 31 March 2021, the Group has pledged HK\$17,500,000 bank deposits as security given to a bank for a facility (31 March 2020: HK\$Nil).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2021, the Group did not have any significant capital commitments and contingent liabilities (2020: Nil).

MATERIAL ACQUISITIONS OR DISPOSALS AND SIGNIFICANT INVESTMENTS

During FY2021, the Company did not have any material acquisitions or disposals and significant investments.

FINAL DIVIDEND

The directors do not recommend any final dividend for FY2021 (FY2020: Nil).

EMPLOYEE INFORMATION

As at 31 March 2021, the Group had a total of 76 staff members including Directors (2020: 80). Staff costs including Director's remuneration amounted to approximately HK\$44.3 million for the year ended 31 March 2021 (2020: approximately HK\$38.4 million). Remuneration is determined based on the individual's qualification, experience, position, job responsibility and market conditions. Salary adjustments and staff promotion are based on evaluation of staff performance by way of annual review, and discretionary bonuses would be paid to staff with reference to the financial performance of the Group of the preceding financial year. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong, and options that were granted or may be granted under the pre-IPO share option scheme ("Pre-IPO Share Option Scheme") and the share option scheme of the Company (the "Share Option Scheme"), together with the Pre-IPO Share Option Scheme (the "Share Option Schemes"), both of which were approved by the then sole shareholder on 1 August 2012.

RISK MANAGEMENT

Credit Risk

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

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

Liquidity risk

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

Foreign currency risk

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

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

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

CORPORATE GOVERNANCE

The Company has fully complied with the required code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 14 of the Listing Rules for the year ended 31 March 2021 with the following exception:

Under Code Provision F.1.1, the company secretary should be an employee of the Company and have the day-to-day knowledge of the Company's affairs.

Mr. Tsang Hing Bun ("Mr. Tsang") was appointed as company secretary of the Company (the "Company Secretary") with effect from 25 January 2019. Although Mr. Tsang is not an employee of the Company as required under code provision F.1.1 of the Code, the Company has assigned Ms. Kwok Yin Ning, the executive director, as the contact person with Mr. Tsang. Information in relation to the performance, financial position and other major developments and affairs of the Group are speedily delivered to Mr. Tsang through the contact person assigned. Hence, all directors are still considered to have access to the advice and services of the Company Secretary in light of the above arrangement in accordance with code provision F.1.4 of the Code. Having in place a mechanism that Mr. Tsang will get hold of the Group's development promptly without material delay and with his expertise and experience, the Board is confident that having Mr. Tsang as the Company Secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations. For the year ended 31 March 2021, Mr. Tsang has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group adopted the code of conduct for securities transactions by Directors (“Securities Dealings Code”) on terms no less exacting than that set out in Appendix 10 of the Listing Rules. Upon the Group’s specific enquiry, all Directors confirmed that during the year ended 31 March 2021, they had fully complied with the Securities Dealings Code.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) which comprises all three independent non-executive Directors, namely, Ms. Mak Yun Chu, Mr. Hung Wai Che and Mr. Leung Siu Kee, with Ms. Mak Yun Chu being the chairperson of the committee.

The Group’s annual results for the year ended 31 March 2021 have been reviewed by the Audit Committee. The Audit Committee is of opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

SCOPE OF WORK OF CONFUCIUS INTERNATIONAL CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in this announcement have been agreed by the Group’s auditors, Confucius International CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Confucius International CPA Limited in this respect did not constitute any assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Confucius International CPA Limited in this announcement.

PUBLICATION OF ANNUAL REPORT

The annual report for FY2021 containing all the information required by Appendix 16 of the Listing Rules will be despatched to the shareholders and available on the Company's website (www.kkgroup.com.hk) and the designated website of the Stock Exchange (www.hkexnews.hk) in due course.

On behalf of the Board
Kingkey Financial International (Holdings) Limited
Wong Chun Chau
Chairman

Hong Kong, 29 June 2021

As at the date of this announcement, the Directors are as follows:

Executive Directors:

Mr. Chen Jiajun

Mr. Wong Chun Chau (*Chairman*)

Ms. Kwok Yin Ning

Independent Non-executive Directors:

Ms. Mak Yun Chu

Mr. Leung Siu Kee

Mr. Hung Wai Che