UKF (HOLDINGS) LIMITED
英裘(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)
GEM stock code: 8168

UKF

Annual Report 2013

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Independent Non-executive Directors

Mr. Ang Wing Fung
Mr. Jean-pierre Philippe
Mr. Tang Tat Chi

Company Secretary

Mr. Chung Man Wai, Stephen

Compliance Officer

Mr. Wong Chun Chau

Audit Committee

Mr. Ang Wing Fung *(Chairman)*
Mr. Jean-pierre Philippe
Mr. Tang Tat Chi

Remuneration Committee

Mr. Tang Tat Chi *(Chairman)*
Mr. Ang Wing Fung
Mr. Wong Chun Chau

Nomination Committee

Mr. Jean-pierre Philippe *(Chairman)*
Mr. Ang Wing Fung
Mr. Tang Tat Chi
Mr. Wong Chun Chau

Authorised Representatives

Mr. Wong Chun Chau
Ms. Kwok Yin Ning

Compliance Adviser

VC Capital Limited

Principal Banker

The Hongkong and Shanghai Banking Corporation Limited

Auditor

HLM CPA Limited

Registered Office

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

Headquarters and Principal Place of Business in Hong Kong

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
Hong Kong

Principal Share Registrar and Transfer Office in the Cayman Islands

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

Corporate Website

http://www.ukf.com.hk

Stock Code

8168

Listing Date

24 August 2012

CHAIRMAN'S STATEMENT

Results

The Group's audited turnover from selling raw mink and raw fox skins amounted to approximately HK$297.5 million for the year ended 31 March 2013 which represented an increase of approximately HK$82.9 million or approximately 38.6% as compared to approximately HK$214.6 million for the year ended 31 March 2012.

The audited net profit of the Group attributable to the equity holders of the Company amounted to approximately HK$27.1 million for the year ended 31 March 2013 which represented an increase of approximately HK$10.5 million or approximately 63.3% as compared to approximately HK$16.6 million for the year ended 31 March 2012.

Basic earnings per share for the year ended 31 March 2013 was approximately HK3.09 cents compared to approximately HK2.29 cents for the year ended 31 March 2012.

Diluted earnings per share for the year ended 31 March 2013 was approximately HK3.05 cents compared to approximately HK2.29 cents for the year ended 31 March 2012.

Dividends

The board of Directors (the "Board") has proposed a final dividend, for the year ended 31 March 2013, of HK0.7 cents in cash per share.

The final dividend for the year ended 31 March 2012 of HK$8,280,000 was declared by the board of U.K Fur Limited to its then shareholder, Mr. Wong Chun Chau.

Subject to approval at the forthcoming annual general meeting to be held on 28 June 2013, Friday (the "AGM"), the said final dividend will be payable on or about 15 July 2013, Monday to shareholders whose names appear on the register of members of the Company at the close of business at 4:30 p.m. on 5 July 2013, Friday.

Issue of Bonus Shares

The Board has also proposed a bonus issue of one new share (the "Bonus Share") credited as fully paid for every five shares held by shareholders whose names appear on the register of members on 5 July 2013, Friday. The relevant resolution will be proposed at the forthcoming AGM, and if passed and upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing permission to deal in such new shares, share certificates of the Bonus Shares is expected to be posted on 15 July 2013, Monday.

Business Review

Beijing recorded the coldest December for 26 years in 2012. The early start of the cold weather period gave the Chinese fur retailers a better-than-expected early selling period. In addition, the late beginning of the Chinese New Year holiday in mid-February extended the Chinese retailers' selling season to the end of March.

The steady economic growth and smooth political transition following the transition of the 18th National Congress meeting boosted the demand of luxury items including fur garment. The demand for raw skins in December 2012 and February 2013 were greater than ever before in China. In addition, the entry of newly established fur merchants who witnessed the success of their friends or relatives in the fur trade and followed suit also demonstrated the optimistic sentiment of the industry.

Meanwhile, the fur retailers in Russia also benefited from the extremely cold weather and the growing domestic consumption partly stimulated by the high oil and natural gas export prices. This extra boost in demand and the tradition of wearing fur garments and fur hats together attributed to the highly satisfactory sales during the fur retail season in Russia.

Further, the adoption of quantitative easing policy by central banks in the USA, European Union and Japan, which was then followed by other important countries like China and Russia, resulted in an increased money supply and in turn stimulated spending in the private sector, which further boosted demand and the sales for luxury items including fur garment.

The abovementioned circumstances promoted the huge success of the December 2012 auctions in Copenhagen and Helsinki. The auction price of majority of mink skins in Copenhagen increased by an average of 13-17% whereas the auction price of Blue Fox auctioned by Saga Fur Sales in Helsinki also surged by 15%. In February 2013, there was a further 10% increase in mink skin price in the Kopenhagen Fur auction. Therefore the Group enjoyed a much increased profit compared with the same period last year.

The details of important events affecting the Group since 31 March 2013 are set out in note 29 to the consolidated financial statements in this annual report.

Acquisitions of Fur Related Business

During the period from the listing of the Company's shares on GEM of Stock Exchange on 24 August 2012 (the "Listing Date") to 31 March 2013, the Group has entered into various acquisitions in order to expand its business.

The acquisition of Loyal Speed Limited ("Loyal Speed") was the Group's first acquisition since its listing in August 2012. Loyal Speed had an impressive start in its fur-skin brokerage business and financing business. During the year under review, the business of Loyal Speed had grown tremendously due to the addition of many good new customers, and more buying commission income owing to the higher prices of mink and fox last year. The growth of customer base of Loyal Speed also generated additional revenue arising from interest income from the provision of finance to fur skins brokerage customers for the settlement of their purchases of fur skins with the respective auction houses.

The acquisition of the two Danish mink farms was a very important milestone of the growth of the Group as it marked the upstream expansion of the business of the Group and provided an additional source for securing the procurement of fur skins for the Group. The mink farms were of good value and with excellent quality and were larger in size than the average Danish mink farms. The Group believes the mink farms will be a strong driving force for the growth of the Group as mink farms are relatively inexpensive assets providing an extremely profitable venture. Also, mink farms are not difficult to manage and do not require an intensive input of labour, thus generate minimal operation costs. The full cooperation and assistance received by the Group from Kopenhagen Fur ("KF"), an auction house located in Denmark, in many aspects of the acquisition and the operation of the mink farms, as well as the full support of the Danish Government in the fur industry facilitate the smooth operation of the mink farms. This acquisition of two mink farms poses us in a more upstream position in the fur industry since the Group is involved in this industry at its source.

CHAIRMAN'S STATEMENT

Prospects

As the fur skin prices continued to exhibit an upward trend in the 2013 auctions compared to the 2012 auctions, the Group should enjoy a better-than-expected profit from its inventory in the coming year. Additionally, the retail fur garment season was much better than that of the previous year, in fact, many old and new fur merchants approached us to plan their 2013 fur skin purchases early in the season.

Meanwhile, famous international brands such as Hermes, Louis Vuitton, etc, have made fur garments and fur trimmed garments very fashionable and popular worldwide, the demand for fur garments and fur trimmed garments is expected to further increase especially in China, Russia and Korea.

Moreover, the Group maintains a very good working relationship with three auction houses namely KF, Saga Fur Oyj ("Saga") and North American Fur Auction ("NAFA"). The Group will also start working with the 4th biggest fur auction house, American Legend Cooperative ("ALC"), to expand the source of high quality mink.

In addition to the abovementioned factors, the Group is expected to benefit from the newly acquired raw fur skin purchasing brokerage and financing business and the high gross profit margin of fur skins sourced from the three mink farms acquired. The acquisitions are expected to strengthen the Group's earning capacity for the whole accounting year ending on 31 March 2014.

With the enlarged customer base of the Group pursuant to the acquisition of Loyal Speed and the increased volume of skin purchased through brokerage business at a much higher price, the Group will receive more commission and have more interest income from financing our good customers. With all of these positives coming to fruition, the Group should enjoy a handsome profit from Loyal Speed.

With regard to the mink farms acquired by the Group, since the Danish government is highly supportive of the mink farms in Denmark in general and KF continually provides enormous support to the smooth operation of the mink farms, we believe the investment in Danish mink farms will enable the Group to procure fur skins at the rearing costs so as to generate better profit for the Group in the trading of fur skins. Hence, the Group will continue to explore good valued mink farms to acquire in order to establish the Group as one of the leaders in this very profitable sector of the fur industry.

Wong Chun Chau
Chairman

Hong Kong, 21 May 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

The Group's turnover for the year ended 31 March 2013 was approximately HK$297.5 million, representing a significant increase of approximately 38.6% from approximately HK$214.6 million for the year ended 31 March 2012. The increase in the turnover was mainly attributable to the strong demand of fur skins in PRC and Russia and hence increase in sales volume of fur skins.

Cost of fur skins sold

The cost of fur skins sold amounted to approximately HK$249.8 million for the year ended 31 March 2013, representing an increase of approximately 39.0% from approximately HK$179.7 million for the year ended 31 March 2012. The increase in the cost of fur skins sold was mainly attributable to the increase in sales of fur skins for the year ended 31 March 2013 as compared with the corresponding figure for the year ended 31 March 2012.

Gross profit and gross profit margin

The gross profit of the Group was approximately HK$47.7 million and HK$34.8 million for the year ended 31 March 2013 and 2012 respectively, representing an increase of approximately 37.1%. The Group recorded a gross profit margin of approximately 16.0% for the year ended 31 March 2013, which was similar to that of approximately 16.2% for the year ended 31 March 2012 respectively.

Administrative expenses

The administrative expenses of the Group increased by approximately 50.0% from approximately HK$12.8 million for the year ended 31 March 2012 to approximately HK$19.2 million for the year ended 31 March 2013. The increase in the administrative expenses was primarily due to the professional fee paid relating to the listing of the Company's shares on GEM of the Stock Exchange (the "Listing") and the grant of the pre-IPO share options to the executive directors, consultant and employees on 1 August 2012.

Finance costs

The finance costs of the Group decreased by approximately 8.3% from approximately HK$2.4 million for the year ended 31 March 2012 to approximately HK$2.2 million for the year ended 31 March 2013. The decrease was primarily due to the decrease in auction interest and auction finance interest. Following the Listing in August 2012, the Group obtained proceeds from placing and new banking facilities up to HK$50 million; therefore, the Group did not need to rely on the auction finance at a relatively high interest rate. Auction interest paid to auction houses is the interest for the overdue payment after the 21-day interest free credit period. As the Group tended to shorten the period between purchases and sales of fur skins and shorten the settlement of payables to auction houses for the year ended 31 March 2013, the auction interest dropped substantially compared to the corresponding year in 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Financial Resources and Capital Structure

The Group's funding and treasury activities are managed and controlled by the senior management. Historically, the Group met its liquidity and capital requirements principally through cash inflow from operating activities and bank borrowings. Following the Listing in August 2012, the Group met its liquidity and capital requirements by the net proceeds from placing, internal resources and bank borrowings.

The Group maintained bank balances and cash of approximately HK$134.5 million as at 31 March 2013 (2012: approximately HK$9.2 million). The net assets of the Group as at 31 March 2013 were approximately HK$171.0 million (2012: approximately HK$28.7 million).

In November 2012, the Group had issued a corporate bond in an aggregate principal amount of HK$10 million at the interest rate of 5.5% p.a. payable annually for 7 years. The proceeds were used for the general working capital and the investments identified by the Group.

In March 2013, the Group had allotted and issued 192,000,000 shares at HK$0.325 per share with net proceeds of HK$62.4 million as a result of the top-up placing and subscription, the details of which had been disclosed in the announcement dated 26 February 2013. The net proceeds were used for funding the acquisition of the entire issued share capital of Loyal Speed.

As at 31 March 2013, the Group had bank borrowings, which represented trust receipt loans, of approximately HK$31.7 million to finance its purchases of fur skins. The Group has obtained banking facilities of up to HK$50 million with a corporate guarantee provided by the Company and restriction on the gearing ratio and the net tangible assets of the Group. The net external gearing ratio, representing the ratio of total interest bearing borrowings to the net assets of the Group, was 24.4% as at 31 March 2013 (2012: 126.0%).

The Directors consider that the Group have met the conditions of the banking facilities for the year ended 31 March 2013 and in the future.

Pledge of Assets

As at 31 March 2013, the Group has not pledged any of its assets for bank borrowings (2012: HK$Nil).

Capital Commitments

Details of the capital commitment for the year are set out in note 26 to the consolidated financial statements in this annual report.

Contingent Liabilities

Details of the contingent liabilities for the year are set out in note 30 to the consolidated financial statements in this annual report.

Material Acquisitions or Disposals and Significant Investments

On 6 March 2013, Trade Region Limited, a member of the Group, entered into the sale and purchase agreement (the "SPA") as a purchaser to acquire the entire issued share capital of Loyal Speed in the total consideration of HK$91,000,000. As at the date of the SPA, Loyal Speed focused on (i) buying raw fur skins from two auction houses on behalf of its customers including fur skins buyers or fur skins dealers to earn commission; and (ii) providing finance for its fur skins brokerage customers for settlement of their purchases of fur skins from these two auction houses to earn interests. The Directors consider that businesses of Loyal Speed will complement the Group's fur skins trading business and enlarge its customer base which would be beneficial to its long-term growth. The transactions contemplated under the SPA were approved at the extraordinary general meeting on 9 May 2013 and completed on 13 May 2013.

On 15 March 2013, UKF (Denmark) A/S, a member of the Group, entered into two separate acquisition agreements to acquire two mink farms in Denmark from two independent farm owners in the maximum consideration of approximately Danish Kroner ("DKK") 6,600,000 (equivalent to approximately HK$8,976,000) and DKK11,555,500 (equivalent to approximately HK$15,715,000) respectively [(Note)]. The Directors considered that the acquisition of mink farms help expand the upstream business of the Group and provide an additional source of fur skins for the Group. The transactions contemplated under each of the acquisition agreements above was completed on 15 March 2013.

Pursuant to the announcement dated 10 May 2013, UKF (Denmark) A/S, signed into an acquisition agreement on 8 May 2013 as purchaser with another independent farm owner in respect of acquisition of a mink farm located in Denmark by consideration of DKK11,130,000 (equivalent approximately HK$15,137,000).

Note:

For the purpose of illustration only and unless otherwise stated, conversion of DKK to HK$ in this annual report is based on the exchange rate of DKK1.00 to HK$1.36. Such conversion should not be construed as a representation that any amount have been, could have been, or may be, exchanged at this or any other rate.

Future Plans for Material Investments or Capital Assets and Expected Sources of Funding

Save as disclosed under "Comparison of Future Plans and Prospects with Actual Business Progress" in this annual report, the Group did not have any specific plan for material investment or capital assets as at 31 March 2013.

Employee Information

As at 31 March 2013, the Group had a total of 12 staff members including the Directors (2012: 8). Staff costs including Directors' remuneration amounted to approximately HK$3.4 million for the year ended 31 March 2013 (2012: approximately HK$2.6 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 members 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 and share option scheme both of which were approved by the shareholder of the Company on 1 August 2012.

Risk Management

Credit Risk

Credit risk exposure represents trade receivables from customers 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 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 adequate impairment losses are made for irrecoverable amounts. In this regard, the Board considers that the Group's credit risk is significantly reduced.

Liquidity risk

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

Foreign currency risk

The Group carries out its business in Hong Kong and worldwide and most of the transactions are denominated in United States dollars ("US$"). The sales and purchases transactions of the Group have exposed to the foreign currency risk.

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure of foreign currency risk. During the period under review, the management of the Group did not consider it necessary to use foreign currency hedging policy as the Group's assets and liabilities denominated in currencies other than the functional currency of the entity to which they related are short term foreign currency cash flows. As the HK$ is pegged to the US$, the Group considers the risk of movements in exchange rates between the HK$ and the US$ to be insignificant.

During the year under review, management of the Group did not consider it necessary to use foreign currency forward contracts to hedge the exposure to foreign currency risk due to the operation of the overseas subsidiary in Denmark, as the exchange rate of DKK was relatively stable.

Comparison of Future Plans and Prospects with Actual Business Progress

An analysis comparing the future plans and prospects as contained in the prospectus of the Company dated 15 August 2012 ("Prospectus") with the Group's actual business progress for the period from 6 August 2012, being the latest practicable date as defined in the Prospectus, to 31 March 2013 (the "Relevant Period) is set out below:

	Future plans and prospects	Actual business progress during the Relevant Period
Expand customer network	Participate in the fur exhibitions and fairs to be held in Beijing and Hong Kong. Place advertisements on fur magazine to promote the business of the Group	The Group has placed advertisements on a fur magazine and participated in fur fair in Hong Kong to promote the business of the Group
Enhance ability to purchase more fur skins from the KF and Saga	Deploy more resources in sourcing fur skins in KF and Saga	The Group sourced more fur skins at favorable price in KF and Saga in September and December 2012 and February 2013
Strengthen the source of procurement by purchasing fur skins from two additional auction houses in Canada and the United States	Participate in the auctions to held by NAFA in Canada and ALC in the United States	The Group has commenced to purchase fur skins in NAFA in Canada since September 2012
Enhance the technical skills of the staff	Arrange staff to enroll and attend the course on selecting sorting and distinguishing fur skins offered by Saga	The Group has arranged staff member(s) to attend course offered by Saga
Expand the business of the Group through acquisition or cooperation	Acquire or cooperate with other fur companies to further expand the business of the Group	The Group was in the process of acquiring the entire share capital of Loyal Speed (Note) and was evaluating the collaboration plans as at the end of the Relevant Period

Note: The acquisition of the entire issued share capital of Loyal Speed has been completed on 13 May 2013.

The net proceeds from the placing were approximately HK$47.4 million, which was based on the final placing price of HK$0.26 per share and the actual expenses related to the listing. Accordingly, the Group adjusts the use of proceeds in the same manner and proportion as shown in the Prospectus.

The net proceeds from the placing from the Listing Date (i.e. 24 August 2012) to 31 March 2013 had been applied as follows:

	Adjusted use of proceeds in the same manner and proportion as shown in the Prospectus during the Relevant Period HK$ million	**Actual use of proceeds during the Relevant Period** HK$ million
Expand customer network	0.9	0.3
Enhance ability to purchase more fur skins from KF and Saga	27.9	27.4
Strengthen the source of procurement by purchasing fur skins from two addition auction houses in Canada and the United States	8.0	7.7
Enhance the technical skills of the staff	0.4	0.1
Expand the business of the Group through acquisition or cooperation	7.1	—
General working capital	3.1	3.1
	47.4	38.6

The Board will constantly evaluate the Group's business objective and will change or modify plans against the changing market conditions to ascertain the business growth of the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. WONG Chun Chau (黃振宙), aged 56, was appointed as an executive Director on 31 March 2011 and was designated as the Chairman of the Company on 1 August 2012. Mr. Wong has more than 28 years' experience in the field of fur skin trading and management. Mr. Wong was graduated with high honour from Clemson University, South Carolina, U.S.A. in 1977 with a Bachelor of Science degree in Chemical Engineering. He also attended a special training course in Copenhagen, Denmark, in 1981, which was about fur sorting and auction procedure, and acquired in-depth knowledge and skills on sorting raw fur materials, inspection of show-lots and compilation of catalogues, sales procedures and invoicing, etc. He is responsible for formulating and monitoring the Group's overall strategic plan and development.

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

Ms. KWOK Yin Ning (郭燕寧), aged 57, was appointed as an executive Director on 31 March 2011 and was designated as the Chief Executive Officer of the Company on 1 August 2012. She has been working in the fur industry for more than 28 years and with 16 years of managerial experience. She is responsible for the Group's corporate management and strategic planning.

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

Independent Non-executive Directors

Mr. ANG Wing Fung (洪榮鋒), aged 40, became an independent non-executive Director on 1 August 2012. Mr. Ang is an executive director of Inno-Tech Holdings Limited (Stock Code: 8202) and the Company Secretary and Chief Financial Controller of China Fortune Investments (Holding) Limited (Stock Code: 8116), both companies are listed on GEM. Mr. Ang attained a Bachelor's degree of Commerce in Accounting and Finance from the University of New South Wales, Australia in 1999. He further obtained a master degree in Business Administration (Executive) in 2010 from the City University of Hong Kong. He is an associate member of HKICPA, a qualified member of CPA Australia and an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He also has more than 4 years' experience in an international accounting firm.

Mr. TANG Tat Chi (鄧達智), aged 58, became an independent non-executive Director on 1 August 2012. Mr. Tang is the founder and a director of W. Tang Company Limited, a company established in 1984 and engaged in the business of fashion design. Before starting his own company, he had worked as a fashion designer at YGM Apparel Limited from September 1981 to April 1984.

Mr. Tang obtained a Bachelor of Arts degree in 1978 from the University of Guelph, Ontario, Canada. He also served on the Committee on the Promotion of Civic Education, which is a non-statutory committee in Hong Kong tasked with the promotion of civic education outside schools, from 2003 to 2005. Mr. Tang has more than 20 years of experience in the field of fashion design.

Mr. Jean-pierre PHILIPPE, aged 53, became an independent non-executive Director on 1 August 2012. Mr. Philippe held the position as chief executive officer in Uniglory Industrial Limited from 1989 to 1997. Uniglory Industrial Limited is a company incorporated in Hong Kong which is engaged in the business of consumer electronic products, with manufacturing in China and for distribution in Europe.

Company Secretary

Mr. CHUNG Man Wai Stephen (鍾文偉), aged 34, joined the Group in January 2011 and is the finance manager and company secretary of the Company. Mr. Chung is responsible for the Group's accounting and corporate finance matters. Mr. Chung holds a Bachelor's degree of Science in Applied Accountancy in 2005 from Oxford Brookes University in United Kingdom. He is a member of HKICPA. Prior to joining the Group, he had worked in the professional field of accounting and auditing for more than 8 years.

CORPORATE GOVERNANCE REPORT

The Company endeavours in maintaining high standard of corporate governance for the enhancement of shareholders' value and provide transparency, accountability and independence. The Company has complied with the required code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 15 to the GEM Listing Rules during the period from the Listing Date to 31 March 2013, except for the following:

Under code provision A.1.1 of the Code, the Board shall meet regularly and at least four times a year at approximately quarterly intervals. As the shares of the Company were listed on 24 August 2012, the Board and the Board committees, including the audit committee, nomination committee and remuneration committee, only convened and held 2 regular board meetings and 2 audit committee meetings during the period from the Listing Date to 31 March 2013.

Compliance with the Required Standard of Dealings in Securities Transactions by Directors

During the period from the Listing Date to 31 March 2013, the Group adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. Upon the Group's specific enquiry, all Directors confirmed that during the above period, they had fully complied with the required standard of dealings and there was no event of non-compliance.

Board of Directors

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

The Board comprises two executive Directors and three independent non-executive Directors and the Board is accountable to shareholders. The powers and duties of management and control of the business of the Company are vested in its Board. It is the duty of the Board to enhance value to the shareholders of the Company. The composition of the Board and biographies of the Directors are set out on pages 13 to 14 of this annual report.

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

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

Each independent non-executive Director has given the Company an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all the independent non-executive Directors are independent and meet the independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

Roles of Chairman and Chief Executive Officer

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

Division of Responsibilities of the Board and Management

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

(a) corporate and capital structure;

(b) corporate strategy;

(c) policies;

(d) business and management;

(e) key financial matters;

(f) board members, senior management and auditors;

(g) remuneration of Directors and senior management; and

(h) communication with shareholders and the Stock Exchange.

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

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

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

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

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

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

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

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

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

Appointment, Re-election and Removal

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

Under the Code Provision A.4.1 of the Code, non-executive Directors should be appointed for a specific term, subject to re-election. The term of appointment for each of the independent non-executive Directors appointed by the Company is 3 years commencing from 1 August 2012, subject to re-election and other requirements under the Company's Articles of Association, the Code and the respective letter of appointment.

Number of Meetings and Directors' Attendance

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

The shares of the Company were listed on the GEM of the Stock Exchange on 24 August 2012. During the period from 24 August 2012 to 31 March 2013 (the "Review Period"), the Board held 2 regular board meetings and 4 additional meetings. The table below sets out the individual attendance record of each Director at the Board meetings and general meetings during the Review Period:

	Attendance/Number of meetings		
Name of Directors	**Regular Board meetings**	**Additional Board meetings**	**General Meetings***
Executive Directors			
Mr. Wong Chun Chau *(Chairman)*	2/2	4/4	N/A
Ms. Kwok Yin Ning	2/2	4/4	N/A
Independent Non-executive Directors			
Mr. Ang Wing Fung	2/2	4/4	N/A
Mr. Tang Tat Chi	0/2	4/4	N/A
Mr. Jean-pierre Philippe	2/2	4/4	N/A

* During the Review Period, no general meetings were convened.

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

CORPORATE GOVERNANCE REPORT

Practice and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Code Provision A.1.3 stipulates that at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given.

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

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

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

Training of Directors

Pursuant to Code Provision A.6.5, which has come into effect from 1 April 2012, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the Review Period, all Directors have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations.

The individual training record of each Director received during the Review Period is summarised below:

Name of Directors	Read materials	Attend seminar(s) and briefings
Executive Directors		
Mr. Wong Chun Chau	✓	✓
Ms. Kwok Yin Ning	✓	✓
Independent Non-executive Directors		
Mr. Ang Wing Fung	✓	✓
Mr. Tang Tat Chi	✓	✓
Mr. Jean-pierre Philipe	✓	✓

All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training or reading relevant materials in order to develop and refresh their knowledge and skills.

Board Committees

The Board has set up 3 committees, namely the audit committee, the remuneration committee and the nomination committee to oversee particular aspects of the Group's affairs.

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

Given the Company's shares had been listed for less than a year by the end of the Review Period (i.e. 31 March 2013), only 2 meetings were held for the audit committee, and each of the remuneration committee and the nomination committee did not hold any meetings.

Audit Committee

The Company established an audit committee (the "Audit Committee") on 1 August 2012 which comprises all 3 independent non-executive Directors, namely Mr. Ang Wing Fung, Mr. Tang Tat Chi and Mr. Jean-pierre Philipe, with Mr. Ang Wing Fung being the chairman of the committee.

The Audit Committee has adopted the written terms of reference in compliance with paragraph C3.3 of the Code. Among other things, the primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. During the Review Period, the committee met its responsibilities in reviewing the interim and third quarter results of year 2012 with the assistance of the senior management and the professional accounting firm engaged by the Group, which conducted regular internal audits and report to the committee.

Since the Company's shares had been listed for less than a year by the end of the Review Period, certain duties of the audit committee including the review of the Company's relationship with its independent external auditors, and the review of its systems for financial reporting, internal controls and risk management will be performed in the financial year ending 31 March 2014.

During the Review Period, 2 Audit Committee meetings were held. The attendance records of each member of the Audit Committee at the committee meetings are set out below:

Name of Directors	Attendance/ Number of Meetings
Mr. Ang Wing Fung *(Chairman)*	2/2
Mr. Tang Tat Chi	0/2
Mr. Jean-pierre Philipe	2/2

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") on 1 August 2012 which comprises 2 independent non-executive Directors and 1 executive Director, namely Mr. Tang Tat Chi, Mr. Ang Wing Fung and Mr. Wong Chun Chau, with Mr. Tang Tat Chi being the chairman of the committee.

The Remuneration Committee has adopted written terms of reference in compliance with paragraph B.1.3 of the Code. The primary duties of the remuneration committee include the following:

(a) evaluating the performance and making recommendations on the remuneration package of the Directors and senior management;

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

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

Notwithstanding that the Company did not have Remuneration Committee meetings during the Review Period, the committee members will discharge its obligations required under its terms of reference as soon as in May 2013.

Nomination Committee

The Company established a nomination committee (the "Nomination Committee") on 1 August 2012 which comprises all 3 independent non-executive Directors and 1 executive Director, namely Mr. Jean-Pierre Philippe, Mr. Ang Wing Fung, Mr. Tang Tat Chi and Mr. Wong Chun Chau, with Mr. Jean-Pierre Philippe being the chairman of the committee.

The Nomination Committee has adopted written terms of reference in compliance with paragraph A4.5 of the Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee include:

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

(b) nominating potential candidates for directorship;

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

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

Notwithstanding that the Company did not have Nomination Committee meetings during the Review Period, the committee members will perform its required obligations under its terms of reference as soon as in May 2013.

Company Secretary

Mr. Chung Man Wai, Stephen joined the Group in 2011 and has been the company secretary of the Company since 2012. He is an employee of a subsidiary of the Company and has day-to-day knowledge of the Company's affairs. As the company secretary, Mr. Chung supports the Board by ensuring board procedures and all applicable law, rules and regulations are followed. He is responsible for advising the Board on corporate governance matters and facilitates induction and professional development of the Directors. The selection, appointment and dismissal of the company secretary are subject to the Board approval in accordance with the Articles. Whilst the company secretary reports to the chief executive officer on the Group's company secretarial and corporate governance matters, all Directors have access to the advice services of the company secretary. Pursuant to the GEM Listing Rules 5.15, the company secretary has taken no less than 15 hours of relevant professional training in the year under review.

Directors and Officers Insurance

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

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

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

The Directors acknowledge their responsibilities for the preparation of the accounts which give a true and fair view of the state of affairs of the Group and of the results and cash flows for the relevant financial period.

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

The statement by the auditor of the Company regarding its reporting responsibilities on the financial statements of the group is set out in the Independent Auditor's Report on page 35.

Auditor's Remuneration

The remuneration paid/payable to the auditor of the Group for the year ended 31 March 2013 is set out as follows:

Services rendered	**Paid/payable** HK$'000
Statutory audit services	500
Non-statutory audit services:	
Reporting accountant in relation to the listing	585
Reporting accountant in relation to the acquisition	300
	1,385

Internal Controls

The Board has overall responsibility for the internal control system of the Company. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. During the Review Period, the Board has conducted a review of the effectiveness of the internal control system of the Company.

Communication with Shareholders

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

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

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

Shareholders' Rights

Convening an extraordinary general meeting

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

Putting enquiries to the Board

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

Putting forward proposals at Shareholders' meeting

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

Investor Relations

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

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

REPORT OF THE DIRECTORS

The Board is pleased to present their first annual report together with the consolidated financial statements of the Group for the year ended 31 March 2013.

The shares of the Company were listed on GEM of the Stock Exchange on 24 August 2012 (the "Listing Date").

Group Reorganisation

The Company is a limited liability company incorporated in the Cayman Islands on 31 March 2011. Under a group reorganisation scheme (the "Reorganisation"), which was carried out for the purpose of rationalising the structure of the Group in preparation for the placing of the shares of the Company on GEM of the Stock Exchange and was completed on 1 August 2012, the Company became the holding company of the subsidiaries now comprising the Group. Further details of the Reorganisation are set out in the History and Development section of the Prospectus.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 34 to the consolidated financial statements. The Group is principally engaged in the trading of fur skins of minks and foxes and mink farming. Save for the expansion of the Group's upstream business as a result of acquisition of mink farms as disclosed in the announcement dated 15 March 2013, there is no significant change in the nature of the Group's principal activities during the year.

Segmental Information

The Group's segment information and revenue for the year ended 31 March 2013 are set out in note 5 to the consolidated financial statements respectively.

Results and Dividends

The results of the Group for the year ended 31 March 2013 and the state of affairs of the Company and of the Group as at that date are set out in the consolidated financial statements on pages 37 to 98.

The Directors has recommended the payment of a final dividend, for the year ended 31 March 2013, of HK0.7 cents per ordinary share in cash. Subject to the approval of the Company's shareholders at the forthcoming annual general meeting, the said final dividend will be payable on or about 15 July 2013, Monday to shareholders whose names appear on the register of members of the Company at the close of business at 4:30 p.m. on 5 July 2013, Friday. Details of dividends paid during the year ended 31 March 2013 are set out in note 11 to the consolidated financial statements.

The Directors has also proposed a bonus issue of one new share credited as fully paid for every five existing shares held by the shareholders of the Company. Further details of the bonus issue are set out in the separate circular of the Company dated 29 May 2013.

Summary of Financial Information

A summary of the published results and assets and liabilities of the Group for the four financial years since the incorporation of its operating subsidiary, U.K. Fur Limited, as extracted from the consolidated financial statements, is set out on page 99 of this annual report. This summary does not form part of the consolidated financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year were set out in the consolidated statement of changes in equity respectively.

Distributable Reserves

As at 31 March 2013, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$119.2 million, of which HK$8.1 million has been proposed as a dividend for the year. In addition, the Company's share premium amounted to HK$114.6 million may be distributed in the form of fully paid bonus shares which has been proposed by the Board.

Use of Proceeds from Listing of the Company

The Company issued 240,000,000 new shares by way of placing in August 2012 at a price of HK$0.26 per share. The net proceeds from the placing were approximately HK$47.4 million, of which HK$38.6 million were used and applied with the intended usage as set out in the prospectus of the Company published on 15 August 2012 (the "Prospectus"), and the balance of the proceeds will also be utilised in the same manner and proportion as shown in the Prospectus.

Use of Proceeds from Top-Up Subscription

Mr. Wong Chun Chau, a controlling shareholder of the Company, the Company and Oriental Patron Securities Limited (the "Placing Agent") entered into a top-up subscription agreement (the "Top-up Subscription Agreement") on 25 February 2013 pursuant to which Mr. Wong agreed to subscribe for 192,000,000 Shares (the "Top-up Subscription Shares") at HK$0.325 per Share after the same number of Shares was placed at the same price by Mr. Wong through the Placing Agent under another top-up placing agreement entered into by the above parties on the same day (the "Top-up Placing Agreement").

The aggregate nominal value of the Top-up Subscription Shares is HK$1,920,000. After deducting the costs and expenses in relation to the top-up placing and top-up subscription contemplated under the Top-up Placing Agreement and Top-up Subscription Agreement, the net price per the Top-up Subscription Share was about HK$0.315, which represents a discount of about 14.86% of the closing price of the Shares on 25 February 2013, being the date on which the terms of the issue were fixed. The net proceeds of the top-up subscription were used for the satisfaction of part of the consideration for the acquisition of the entire issued share capital of Loyal Speed.

Property, Plant and Equipment and Investment Property

Details of the movements in property, plant and equipment and investment property of the Group during the year are set out in notes 13 and 14 to the consolidated financial statements respectively.

Share Capital and Share Options

Details of the Company's share capital and share options movements during the year, together with reasons for the movements, are set out in note 24 to the consolidated financial statements.

Pre-emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2013.

Major Customers and Suppliers

The percentages of purchases and sales for the year ended 31 March 2013 attributable to the Group's major suppliers and customers are as follows:

	Approximate % to total purchase/turnover for the year ended 31 March 2013
Purchases	
— the largest supplier	58.4%
— the five largest suppliers combined	100%
Sales	
— the largest customer	28.4%
— the five largest customers combined	80.1%

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

Charitable Contribution

During the year, the Group made charitable contribution totalling HK$555,220.

Directors

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

Executive Directors

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

Independent Non-executive Directors

Mr. Ang Wing Fung *(Appointed on 1 August 2012)*
Mr. Tang Tat Chi *(Appointed on 1 August 2012)*
Mr. Jean-pierre Philippe *(Appointed on 1 August 2012)*

Pursuant to Article 84(1) of the Company's articles of association and the Corporate Governance Code of the Company, Mr. Wong Chun Chau and Ms. Kwok Yin Ning will retire by rotation at the forthcoming annual general meeting. Both of them, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' and Senior Management's Biographies

Biographies details of the Directors and the senior management of the Group are set out on pages 13 to 14 of this annual report.

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company for a period of three years commencing from 1 August 2012. Each of the independent non-executive Directors has signed an appointment letter with the Company for a period of three years commencing from 1 August 2012. The appointment of all Directors will continue thereafter until terminated by either party giving not less than three months' prior written notice to the other. All Directors are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's articles of association.

Other than those disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Independence Confirmation

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and hence are independent.

Emoluments of Directors and Five Highest Paid Individuals

Details of the emoluments of the Directors and the five highest paid individuals of the Group during the financial year are set out in note 9 to the consolidated financial statements.

Pension Schemes

Particulars of the Group's pension schemes are set out in note 28 to the consolidated financial statements.

Management Contracts

As at 31 March 2013, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

Emolument Policy

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

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

Share Option Scheme

The Company has adopted, on 1 August 2012, two share option schemes namely, the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and the share option scheme (the "Share Option Scheme"), for the purposes of providing incentives to eligible employees and any advisers or consultants who contribute to the success of the Group. Details of the schemes are set out in note 27 to the consolidated financial statements.

Directors' Interests in Contract

A sale and purchase agreement dated 6 March 2013 was entered into between Cheer Dragon International Limited as vendor (the "Vendor"), Trade Region Limited as purchaser (the "Purchaser"), Loyal Speed and Mr. Ching as guarantor in relation to the acquisition of the entire issued share capital of Loyal Speed. Mr. Wong Chun Chau, an executive Director and a controlling shareholder of the Company, is the beneficial owner of 8% of issued shares of the Vendor, whereas the Purchaser is a direct wholly owned subsidiary of the Company.

Save for the sale and purchase agreement as disclosed in note 29(a) of the consolidated financial statements on this annual report, no contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a Director or his/her associates had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2013, and no contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries.

Directors' Interests in Competing Business

As far as the Directors are aware of, none of the Directors or the controlling shareholders of the Company has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the year ended 31 March 2013.

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

As at 31 March 2013, save for the interest of the Directors in share options as below, neither of the Directors nor the chief executive of the Company had interests and or short positions in the shares of the Company, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO") which (i) are 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) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.61 and 5.67 of the GEM Listing Rules.

(A) Interests in the Company — Long position in Shares

Name	Nature of Interest	Number of Shares	Approximate Percentage of Shareholding in the Company
Mr. WONG, Chun Chau (Note 1)	Interest of controlled corporation	720,000,000	62.5%

(B) Interests in the Company — Long position in underlying Shares or equity derivatives of the Company

Name	Nature of Interest	Share Options	Approximate Percentage of Shareholding in the Company	Approximate Percentage of Shareholding in the Company assuming all the options granted under the Pre-IPO Share Option Scheme were exercised
Mr. WONG, Chun Chau	Beneficial owner	36,480,000	3.2%	3.0%
Ms. KWOK, Yin Ning	Beneficial owner	24,000,000	2.1%	1.9%

(C) Interests in the Associated Corporation — Long position in Shares of Trader Global Investments Limited (Note 2)

Name	Nature of Interest	Number of Ordinary Share in the Associated Corporation	Approximate Percentage of Shareholding in the Associated Corporation
Mr. WONG, Chun Chau	Beneficial owner	1	100%

Notes:

1. Under the SFO, Mr. Wong is deemed to be interested in 720,000,000 Shares which are held by Trader Global Investments Limited, a company wholly owned by Mr. Wong.

2. Trader Global Investments Limited is the ultimate holding company of the Company.

Save as disclosed above, as at 31 March 2013, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which were interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings or any other member of the Group or any persons (not being a Director) have interests or short positions in the shares or underlying shares of the Company which would full to be disclosed to the Company under the provisions in Division 2 and 3 of Part XV of the SFO.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 March 2013, according to the register of interests kept by the Company under Section 336 of the SFO, the following parties (in addition to those disclosed above in respect of the Directors and Chief Executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register of interests and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Long position in shares of the Company

Name	Nature of Interest	Name of Shares	Approximate Percentage of Shareholding in the Company
Mr. WONG Chun Chau (Notes 1, 2)	Interest in controlled corporation	720,000,000	62.50%
Mr. Merzbacher WERNER (Note 3)	Interest in controlled corporation	59,000,000	5.12%

Notes

1 Mr. Wong Chun Chau was deemed to be interested in 720,000,000 shares held by Trader Global Investments Limited, a company which is wholly and beneficially owned by him, for the purpose of the SFO.

2. Mr. Wong Chun Chau is also the sole director of Trader Global Investments Limited.

3. Mr. Merzbacher Werner was deemed to be interested in 59,000,000 shares held by Carafe Investment Company Limited, a company which is wholly and beneficially owned by him, for the purpose of the SFO.

Save as disclosed above, as at 31 March 2013, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which were interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings or any other member of the Group or any persons (not being a Director) have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions in Division 2 and 3 of Part XV of the SFO.

Directors' Rights to Acquire Shares or Debentures

Other than as disclosed under the sections "Share Option Scheme" and "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares or Debentures" above, at no time during the year ended 31 March 2013 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM 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 were rights 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.

Pre-IPO Share Option Scheme

The Company adopted a Pre-IPO Share Option Scheme for the purpose of providing incentives and rewards for eligible participants who contribute to the success of the Group's operations on 1 August 2012. In accordance with the Pre-IPO Share Option Scheme, the Company granted 80,640,000 share options.

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

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

The following share options were outstanding under the Pre-IPO Share Option Scheme during the year:

Name or category of participant	Number of share options: As at 1 April 2012	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 March 2013	Date of grant of share options	Exercise price of share options HK$	Exercise period of share options	Price of Company's shares: At grant date HK$	At exercise date HK$
Directors										
Mr. WONG Chun Chau	–	36,480,000	–	–	36,480,000	1 August 2012	0.208	Note 1	N/A	N/A
Ms. KWOK Yin Ning	–	24,000,000	–	–	24,000,000	1 August 2012	0.208	Note 1	N/A	N/A
Other Employees and those who have contributed or may contribute to the Group										
C.L. Management Services Limited	–	14,400,000	–	–	14,400,000	1 August 2012	0.26	Note 2	N/A	N/A
Mr. CHUNG Man Wai, Stephen	–	1,920,000	–	–	1,920,000	1 August 2012	0.26	Note 3	N/A	N/A
Ms. LIU Po Chu	–	1,920,000	–	–	1,920,000	1 August 2012	0.26	Note 3	N/A	N/A
Mr. LEUNG Tik Fung Thomas	–	960,000	–	–	960,000	1 August 2012	0.26	Note 3	N/A	N/A
Mr. LAU Kin Hung	–	480,000	–	–	480,000	1 August 2012	0.26	Note 3	N/A	N/A
Ms. NG Nga Kuen	–	480,000	–	–	480,000	1 August 2012	0.26	Note 3	N/A	N/A

Notes:

1 (i) Half of such share options are exercisable after the expiry of 6 months but not later than the end of 18 months from the date of grant, (ii) outstanding share options up to all such share options is exercisable after the expiry of 18 months but not later than the end of 36 months from the date of grant.

2 All such share options are exercisable after the expiry of 9 months but not later than the end of 120 months from the date of grant.

3 (i) One-third of such share options are exercisable after the expiry of 8 months but not later than the end of 20 months from the date of grant, (ii) outstanding share options up to two-thirds of all such share options is exercisable after the expiry of 20 months but not later than the end of 32 months from the date of grant, and (iii) outstanding share options up to all such share options is exercisable after the expiry of 32 months but not later than the end of 36 months from the date of grant.

Compliance Adviser's Interest in the Company

As at 31 March 2013, as notified by the Company's compliance adviser, VC Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 13 August 2012, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

Connected Transactions and Continuing Connected Transactions

Non-exempt One-off Connected Transactions

On 6 March 2013, Trade Region Limited, a member of the Group, entered into the SPA as a purchaser to acquire the entire issued share capital of Loyal Speed in the total consideration of HK$91,000,000. As at 6 March 2013, Loyal Speed is wholly-owned by Cheer Dragon International Limited, which in turn, is 92% and 8% held by Mr. Ching Kwok Ho and Mr. Wong Chun Chau ("Mr. Wong") respectively. Mr. Wong is the Controlling Shareholder and an executive Director. Accordingly, the Board considers that it is advisable for the Company to treat the Acquisition as a connected transaction of the Company and comply with the reporting, announcement, annual review and the Independent Shareholders' approval requirements under the GEM Listing Rules.

As at the date of the SPA, Loyal Speed focused on (i) buying raw fur skins from two auction houses on behalf of its customers including fur buyers or fur skins dealers to earn commission; and (ii) providing finance for its fur skins brokerage customers for settlement of their purchases of fur skins from these tow auction houses to earn interests. The Director consider that businesses of Loyal Speed will complement the Group's fur skins trading business and enlarge its customer base which would be beneficial to its long-term growth. The transactions contemplated under the SPA were approved at the extraordinary general meeting on 9 May 2013 and completed on 13 May 2013.

Exempted continuing connected transaction

On 1 April 2011, Universal Apparel Limited (the "UAL") and U.K. Fur Limited ("the U.K. Fur"), a member of the Group entered into a tenancy agreement (the "Tenancy Agreement") pursuant to which UAL as landlord agreed to provide office space at an aggregate amount of HK$300,000 per annum for a term of 3 years starting from 1 April 2011. The Directors consider that it is economically efficient to continue to rent the office space from UAL.

As UAL is wholly owned by Mr. Wong and his family members and Mr. Wong is a controlling shareholder of the Company, UAL is an associate of Mr. Wong and hence a connected person of the Company, the Tenancy Agreement constitutes a continuing connected transaction of the Company under the GEM Listing Rules.

As the applicable percentage ratios for this transactions are less than 5 per cent and the annual consideration is less than HK$1 million, the Tenancy Agreement is not subject to any of the reporting, announcement, annual review and shareholders' approval requirements under the GEM Listing Rules.

Save for the above, the Company has not entered into any non-exempt continuing connected transactions for the year ended 31 March 2013.

Corporate Governance

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report section set out on pages 15 to 23.

Events after the Reporting Period

Details of the events after the reporting period for the year are set out in note 29 to the consolidated financial statements in this annual report.

Code of Conduct regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms which are the same as the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"). The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Required Standards of Dealings throughout the year ended 31 March 2013. The Company was not aware of any non-compliance since the Listing Date to 31 March 2013.

Sufficiency of Public Float

Throughout the period from the Listing Date to 31 March 2013 and as at the date of this annual report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained a sufficient prescribed public float of more than 25% of the Company's issued share as required under the GEM Listing Rules.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with the GEM Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process, internal control system and the Group's financial statements. The Audit Committee comprises a total of three members, namely, Mr. Ang Wing Fung, Mr. Tang Tat Chi and Mr. Jean-pierre Philippe, all of whom are independent non-executive Directors. The Group's annual results for the year ended 31 March 2013 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 GEM Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

Auditor

During the year, Messrs. HLM & Co., who had acted as auditor of the Company, resigned on 24 January 2013 and Messrs. HLM CPA Limited was appointed as auditor of the Company in replacement of Messrs. HLM & Co. A resolution will be submitted to the annual general meeting to re-appoint Messrs. HLM CPA Limited as the auditor of the Company.

On behalf of the Board
UKF (Holdings) Limited

Wong Chun Chau
Chairman and Executive Director

INDEPENDENT AUDITOR'S REPORT

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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TO THE MEMBERS OF UKF (HOLDINGS) LIMITED
(incorporated in the Cayman islands with limited liability)

We have audited the consolidated financial statements of UKF (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 98, which comprise the consolidated statement of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2013 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLM CPA Limited
Certified Public Accountants

Chan Lap Chi
Practising Certificate Number: P04084

Hong Kong, 21 May 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Notes	2013 HK$	2012 HK$
Turnover	5	**297,524,230**	214,552,947
Cost of sales		**(249,798,824)**	(179,731,682)
Gross profit		**47,725,406**	34,821,265
Other income	6	**298,943**	191,869
Change in fair value less costs to sell of biological assets	15	**199,872**	—
Administrative expenses		**(19,157,934)**	(12,791,099)
Finance costs	7	**(2,212,528)**	(2,381,059)
Profits before tax	8	**26,853,759**	19,840,976
Income tax credit (expenses)	10	**271,943**	(3,284,710)
Profits for the year and attributable to equity holders of the Company		**27,125,702**	16,556,266
Other comprehensive expenses			
Exchange difference on translation of overseas operations		**(7,722)**	—
Total comprehensive income for the year and attributable to equity holders of the Company		**27,117,980**	16,556,266
Earnings per share	12		
Basic		**3.09 cents**	2.29 cents
Diluted		**3.05 cents**	2.29 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013

	Notes	2013 HK$	2012 HK$
Non-current assets			
Property, plant and equipment	13	**15,756,136**	40,080
Investment property	14	**741,262**	—
Deferred tax asset	23	**503,089**	—
		17,000,487	40,080
Current assets			
Biological assets	15	**5,990,558**	—
Inventories	16	**88,978,954**	18,524,772
Trade and other receivables	17	**52,611,026**	57,100,691
Bank balances and cash	18	**134,468,472**	9,173,880
		282,049,010	84,799,343
Current liabilities			
Trade and other payables	19	**79,798,868**	13,591,445
Tax payables		**6,562,161**	6,481,752
Auction loans	20	**—**	18,829,180
Bank borrowings	21	**31,655,899**	17,277,113
		118,016,928	56,179,490
Net current assets		**164,032,082**	28,619,853
Total assets less current liabilities		**181,032,569**	28,659,933
Non-current liabilities			
Corporate bond	22	**10,000,000**	—
Deferred tax liability	23	**7,470**	4,444
		10,007,470	4,444
Net assets		**171,025,099**	28,655,489
Capital and reserve			
Share capital	24	**11,520,000**	7,200,000
Reserves		**159,505,099**	21,455,489
		171,025,099	28,655,489

The consolidated financial statements on pages 37 to 98 were approved and authorised for issue by the board of directors on 21 May 2013 and are signed on its behalf by:

WONG CHUN CHAU
DIRECTOR

KWOK YIN NING
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	Share capital HK$	Share premium HK$	Merger reserve HK$	Share option reserve HK$	Translations reserve HK$	Retained profits HK$	Total HK$
At 1 April 2011	78,000	–	–	–	–	12,021,223	12,099,223
Profits for the year	–	–	–	–	–	16,556,266	16,556,266
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	16,556,266	16,556,266
Shares swap pursuant to group reorganisation	7,122,000	–	(7,122,000)	–	–	–	–
At 31 March 2012 and 1 April 2012	7,200,000	–	(7,122,000)	–	–	28,577,489	28,655,489
Profits for the year	–	–	–	–	–	27,125,702	27,125,702
Other comprehensive expenses for the year	–	–	–	–	(7,722)	–	(7,722)
Total comprehensive (expenses) income for the year	–	–	–	–	(7,722)	27,125,702	27,117,980
Issue of shares upon listing	2,400,000	60,000,000	–	–	–	–	62,400,000
Issue of shares by placing for cash	1,920,000	58,560,000	–	–	–	–	60,480,000
Share issue expenses	–	(3,910,279)	–	–	–	–	(3,910,279)
Share option granted	–	–	–	4,561,909	–	–	4,561,909
Dividend paid	–	–	–	–	–	(8,280,000)	(8,280,000)
At 31 March 2013	11,520,000	114,649,721	(7,122,000)	4,561,909	(7,722)	47,423,191	171,025,099

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	2013 HK$	2012 HK$
Operating activities		
Profits before tax	**26,853,759**	19,840,976
Adjustments for:		
Depreciation	**126,662**	20,040
Interest expenses	**2,212,528**	2,381,059
Interest income	**(278)**	(63,596)
Net change in fair value less costs to sell of biological assets	**(199,872)**	—
Share based payment expenses	**4,561,909**	—
Operating cash flows before movements in working capital	**33,554,708**	22,178,479
(Increase) decrease in inventories	**(69,183,128)**	20,082,632
Decrease (increase) in trade and other receivables	**4,489,665**	(48,085,752)
Increase (decrease) in trade and other payables	**65,581,064**	(16,211,767)
Increase in biological assets	**(6,972,991)**	—
Cash generated from (used in) operating activities	**27,469,318**	(22,036,408)
Hong Kong Profits Tax paid, net	**(147,711)**	(903,065)
Net cash generated from (used in) operating activities	**27,321,607**	(22,939,473)
Investing activities		
Purchase of property, plant and equipment	**(15,843,001)**	—
Purchase of an investment property	**(742,500)**	—
Interest received	**278**	63,596
Net cash (used in) generated from investing activities	**(16,585,223)**	63,596
Financing activities		
Dividend paid	**(8,280,000)**	—
Proceeds from issue of corporate bond	**10,000,000**	—
Net proceeds from issue of new shares	**118,969,721**	—
Decrease in amounts due from a related company	**—**	16,009,571
New auction loans raised	**13,085,716**	57,773,876
Repayments of auction loans	**(31,914,896)**	(38,944,696)
New trust receipt loans raised	**86,520,692**	63,208,047
Repayments of trust receipt loans	**(72,141,906)**	(63,892,179)
Interest paid	**(1,586,169)**	(2,381,059)
Net cash generated from financing activities	**114,653,158**	31,773,560
Net increase in cash and cash equivalents	**125,389,542**	8,897,683
Cash and cash equivalents at beginning of the year	**9,173,880**	276,197
Effect of foreign exchange rate changes, net	**(94,950)**	—
Cash and cash equivalents at end of the year, representing by bank balances and cash	**134,468,472**	9,173,880

1. General

The Company is a public limited company incorporated in Cayman Islands as an exempted company with limited liability and its shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 24 August 2012. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its place of business is located at Unit 902, Harbour Centre, Tower 2, 8 Hok Cheung Street, Kowloon, Hong Kong.

Pursuant to the reorganisation ("Reorganisation") as more fully illustrated in the paragraph headed "Corporate reorganisation" in Appendix V to the prospectus ("Prospectus") issued by the Company on 15 August 2012, the Company became the holding company of the companies now comprising the Group on 1 August 2012. The Reorganisation involved business combinations of entities under common control before and immediately after the Reorganisation. Consequently, immediately after the Reorganisation, there was a continuation of the risks and benefits to the controlling parties that existed prior to the Reorganisation. The Group is regarded and accounted for as a continuing group resulting from the Reorganisation since all of the entities which took part in the Reorganisation were under common control in a manner similar to pooling of interests. Accordingly, the financial statements have been prepared on a combined basis by applying the principles of merger accounting. The financial statements has been presented as if the current group structure had been in existence throughout the years ended 31 March 2012, 2011 and 2010 or from the respective dates of incorporation of the companies comprising the Group, where there is a shorter period.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Group is principally engaged in the trading of fur skins and mink farming in Denmark.

2. Application of new and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The accounting policies and methods of computation used in these consolidated financial statements are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2012, except for the following amendments to HKFRSs issued by the Hong Kong Institutes of Certified Public Accounts (the "HKICPA") that the Group has applied for the first time in the current year. The application of these new and revised HKFRSs has had no impact on the Group's financial performance and positions for the current and prior years but may affect the accounting for future transactions or arrangements.

HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

New and revised HKFRSs in issue but not yet effective

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

HKFRS 1 (Amendments)	Government Loans[2]
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[3]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle except for the amendments to HKAS 1[2]
HK (IFRC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1st July 2012.
[2] Effective for annual periods beginning on or after 1st January 2013.
[3] Effective for annual periods beginning on or after 1st January 2014.
[4] Effective for annual periods beginning on or after 1st January 2015.

2. Application of new and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. Application of new and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC)-Int 12 Consolidation — Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) — Int 13 Jointly Controlled Entities — Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these standards are applied at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

2. Application of new and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

2. Application of new and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011) — Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interest in subsidiaries at fair value through profit or loss.

To qualify as in investment entity, certain criteria have to be met. Specifically, an entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011) are effective from annual periods beginning on or after 1 January 2014 with early application permitted. The directors is in the process of assessing the potential impact of the new HKFRSs but is not yet in a position to determine whether the new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. The new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

The directors anticipate that the application of other new or revised standards, amendments and interpretations will have no material impact on results and financial position of the Group.

2. Application of new and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

Amendments to HKFRS 7 and HKAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKAS 19 Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a "net-interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application. The directors anticipate that the amendments to HKAS 19 will have no effect to the Group's financial statements as the Group does not provide in such benefits.

2. Application of new and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009 – 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include:

- amendments to HKAS 16 Property, Plant and Equipment; and
- amendments to HKAS 32 Financial Instruments: Presentation.

Amendments to HKAS 16

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors do not anticipate that the amendments to HKAS 16 will have a significant effect on the Group's consolidated financial statements.

Amendments to HKAS 32

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statement.

3. Significant Accounting Policies

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties, biological assets and financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

3. Significant Accounting Policies *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operation policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interest in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. Significant Accounting Policies *(Continued)*

Basis of combination

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

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

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

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

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

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

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

3. Significant Accounting Policies *(Continued)*

Basis of combination *(Continued)*

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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

Subsidiary

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

3. Significant Accounting Policies *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivables for good sold in the normal course of business.

Revenue from the sale of goods is recognised when all following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided and revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

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

Management fee income is recognised where services are rendered.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Biological assets

Biological assets are stated at fair value less costs to sell, with any resultant gain or loss recognised in the consolidated statement of comprehensive income. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.

3. Significant Accounting Policies *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure, Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period which the property is derecognised.

Property, plant and equipment

Property, plant and equipment including buildings used in the production or supply of goods or services, or for administrative purpose, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Buildings	2-5%
Plant and machinery	5-20%
Office equipment	20%

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

No depreciation is provided for the freehold land.

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

3. Significant Accounting Policies *(Continued)*

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3. Significant Accounting Policies *(Continued)*

Leasing *(Continued)*

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating lease, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Borrowing costs

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

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

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

Foreign currencies

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

3. Significant Accounting Policies *(Continued)*

Foreign currencies *(Continued)*

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

3. Significant Accounting Policies *(Continued)*

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

3. Significant Accounting Policies *(Continued)*

Taxation *(Continued)*

Deferred tax *(Continued)*

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Cash and cash equivalents

Cash includes cash equivalents include cash at bank and in hand, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Retirement benefit costs

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

Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issue of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3. Significant Accounting Policies *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 33.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan and receivables (including trade and other receivables, pledged bank deposits, bank balances and cash, and amounts due from Directors) are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an AFS equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Object evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the assets carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instrument

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at FVTPL *(Continued)*

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designed as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 33.

Other financial liabilities

Other financial liabilities (including borrowings, loan from Auction House, trade and other payables and corporate bond) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Derecognition

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. Significant Accounting Policies *(Continued)*

Provisions

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

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

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

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of the reporting period, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, and the amount initially recognised less cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Share-based payment arrangements

Share-based payment transactions of the Company

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

3. Significant Accounting Policies *(Continued)*

Related parties

A related party is a person or entity that is related to the Group.

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

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

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

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third party and the other entity is an associate of the same third party or vice versa.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly-controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

4. Key Sources of Estimation Uncertainty

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

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

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

Useful lives and impairment of property, plant and equipment

In applying the accounting policy on plant and equipment with respect to depreciation, management estimates the useful lives of various categories of plant and equipment according to the industrial experiences over the usage of plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of plant and equipment is less than the original estimate useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period.

Fair values of biological assets

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

The valuer and management review the assumptions and estimated periodically to identify any significant change in the fair value of biological assets. Details of the assumptions used are disclosed in note 15.

Impairment of inventories

The Group records inventories at the lower of cost and net realisable value. Net realisation value is the estimated selling price for inventories, less all the estimated costs of completion and costs necessary to make the sales.

4. Key Sources of Estimation Uncertainty *(Continued)*

Impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimate of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2013 and 2012, the carrying amounts of trade receivables are HK$51,253,885 and HK$56,695,858 respectively.

Income taxes

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

5. Revenue and Segment Information

For management purposes, the Group is currently organised into two operating segments, namely, trading of fur skins and mink farming.

Principal activities are as follows:

Trading of fur skins	—	Trading of fur skins of foxes and minks
Mink farming	—	Provision of breeding, farming and sale of livestocks and pelted skins

During the year, the Group's revenue represents the amount received and receivables for trading of fur skins and mink farming, net of discount, are as follows:

	2013 **HK$**	2012 HK$
Trading of fur skins	**297,524,230**	214,552,947
Mink farming	**—**	—
	297,524,230	214,552,947

The mink farms were acquired in March 2013, so no revenue would be contributed in the current year.

5. Revenue and Segment Information *(Continued)*

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

For the year ended 31 March 2013

	Trading of fur skins HK$	Mink farming HK$	Total HK$
TURNOVER	297,524,230	–	297,524,230
RESULTS			
Segment results	47,725,406	–	47,725,406
Other income			298,943
Change in fair value less costs to sell of biological assets	–	199,872	199,872
Unallocated corporate expenses			(19,157,934)
Finance costs			(2,212,528)
Profits before tax			26,853,759
Income tax credit			271,943
Profits for the year			27,125,702

	Trading of fur skins HK$	Mink farming HK$	Total HK$
ASSETS			
Segment assets	138,942,672	23,722,332	162,665,004
Unallocated corporate assets			136,384,493
Total assets			299,049,497
LIABILITIES			
Segment liabilities	109,736,520	31,590	109,768,110
Unallocated corporate liabilities			18,256,288
Total liabilities			128,024,398

Other information

	Trading of fur skins HK$	Mink farming HK$	Total HK$
Additions of property, plant and equipment and investment property	41,251	16,544,250	16,585,501
Depreciation and amortisation	25,540	101,122	126,662

5. Revenue and Segment Information *(Continued)*

For the year ended 31 March 2012

	Trading of fur skins HK$	Mink farming HK$	Total HK$
TURNOVER	214,552,947	—	214,552,947
RESULTS			
Segment results	34,821,265	—	34,821,265
Other income			191,869
Change in fair value less costs to sell of biological assets	—	—	—
Unallocated corporate expenses			(12,791,099)
Finance costs			(2,381,059)
Profits before tax			19,840,976
Income tax expenses			(3,284,710)
Profits for the year			16,556,266

	Trading of fur skins HK$	Mink farming HK$	Total HK$
ASSETS			
Segment assets	75,220,630	—	75,220,630
Unallocated corporate assets			9,618,793
Total assets			84,839,423
LIABILITIES			
Segment liabilities	49,697,738	—	49,697,738
Unallocated corporate liabilities			6,486,196
Total liabilities			56,183,934

Other information

	Trading of fur skins HK$	Mink farming HK$	Total HK$
Additions of property, plant and equipment and investment property	—	—	—
Depreciation and amortisation	20,040	—	20,040

Segment profit represents the profits earned by each segment without allocation of central administration costs including directors' salaries, investment and other income, finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

5. Revenue and Segment Information *(Continued)*

Geographical information

The Group's revenue from external customers by geographical market are detailed below:

	2013	2012
	HK$	HK$
The PRC	**257,660,487**	164,652,316
Europe	**23,904,322**	39,087,435
Russia	**7,364,471**	10,097,904
Hong Kong	**8,594,950**	715,292
	297,524,230	214,552,947

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and investment property, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to property, plant and equipment and investment property**	
	2013	2012	**2013**	2012
	HK$	HK$	**HK$**	HK$
Hong Kong	**274,743,798**	84,839,423	**41,251**	—
Denmark	**24,305,699**	—	**16,544,250**	—
	299,049,497	84,839,423	**16,585,501**	—

Information about major customers

Included in revenue arising from sales of fur skins of approximately HK$297.5 million are revenue of approximately HK$196.5 million generated from sales to the Group's top three customers. No other single customer contributed 10% or more to the Group's revenue for the year ended 31 March 2013.

Included in revenue arising from sales of fur skins of approximately HK$214.6 million are revenue of approximately HK$169.1 million generated from sales to the Group's top four customers. No other single customer contributed 10% or more to the Group's revenue for the year ended 31 March 2012.

6. Other Income

	2013 HK$	2012 HK$
Bank interest received	**278**	33
Interest income from a customer	**—**	14,641
Interest income from a related company (Note 1)	**—**	48,922
Bonus and commission rebate	**70,459**	128,273
Brokerage and commission income	**221,423**	—
Rental income	**6,783**	—
	298,943	191,869

Note 1: United Kingdom Fur Company Limited is a company incorporated in Hong Kong on 25 February 1992 and is wholly owned by Mr. Wong Chun Chau, one of the directors of the Company and his family members.

7. Finance Costs

	2013 HK$	2012 HK$
Bond interest	**229,165**	—
Trust receipts loan interest	**904,049**	524,203
Overdraft interest	**5,663**	1,644
Auction interest (Note 1)	**828,963**	963,359
Auction finance interest	**244,688**	891,853
	2,212,528	2,381,059

Note 1: Auction interest is the auction prompt interest paid to auction houses for the overdue payment.

8. Profits Before Tax

Profits before tax has been arrived at after charging:

	2013 HK$	2012 HK$
Auditor's remuneration	**500,000**	100,000
Cost of inventories recognised as expenses	**249,442,480**	178,958,263
Staff Costs (including directors' remuneration)		
Salaries and allowances	**3,362,296**	2,524,550
Defined contribution retirement benefit scheme contributions	**94,785**	77,169
Depreciation	**126,662**	20,040
Share based payment expenses	**4,561,909**	—
Foreign exchange losses, net	**5,661**	62,997
Operating lease payments	**360,432**	364,951

9. Directors' Remuneration and Senior Management's Emoluments

(a) Directors' emoluments

The emoluments paid or payable to each of the five directors for the Group in 2013 were as follows:

Emoluments	Fees HK$	Salaries and other benefits HK$	Retirement benefit scheme contributions HK$	Discretionary Bonuses HK$	Total HK$
Executive directors					
Mr. Wong Chun Chau	**—**	**775,800**	**14,500**	**73,300**	**863,600**
Ms. Kwok Yin Ning	**—**	**608,000**	**14,500**	**55,000**	**677,500**
Independent non-executive directors					
Mr. Ang Wing Fung (Note 1)	**80,000**	**—**	**—**	**—**	**80,000**
Mr. Tang Tat Chi (Note 1)	**80,000**	**—**	**—**	**—**	**80,000**
Mr. Jean-pierre Philippe (Note 1)	**80,000**	**—**	**—**	**—**	**80,000**
	240,000	**1,383,800**	**29,000**	**128,300**	**1,781,100**

Note 1: Appointed on 1 August 2012

The emoluments paid or payable to each of the two directors for the Group in 2012 were as follows:

Emoluments	Fees HK$	Salaries and other benefits HK$	Retirement benefit scheme contributions HK$	Discretionary Bonuses HK$	Total HK$
Executive directors					
Mr. Wong Chun Chau	—	589,500	12,000	67,500	669,000
Ms. Kwok Yin Ning	—	524,000	12,000	60,000	596,000
	—	1,113,500	24,000	127,500	1,265,000

During the year, no director received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office and, no director waived or has agreed to waive any emoluments.

9. Directors' Remuneration and Senior Management's Emoluments

(Continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments of the Group, two (2012: two) were directors of the Company whose emoluments are set out in (a) above. The emoluments of the remaining three (2012: three) individuals were as follows:

	2013 HK$	2012 HK$
Salaries and allowances	**840,960**	839,160
Discretionary bonuses	**140,160**	31,800
Defined contribution retirement benefit scheme contributions	**38,732**	33,110
	1,019,852	904,070

Their emoluments were within the following bands:

	2013 Number of employees	2012 Number of employees
HK$Nil — HK$1,000,000	**3**	3
HK$1,000,001 — HK$1,500,000	**—**	—
	3	3

During the year, the remaining three (2012: three) individuals have not received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office and none of them waived or has agreed to waive any emoluments.

10. Income Tax (Credit) Expenses

	2013 **HK$**	2012 HK$
Current tax		
Hong Kong Profits Tax	**240,120**	3,287,474
Other jurisdictions	**–**	–
	240,120	3,287,474
Over provision in prior years		
Hong Kong Profits Tax	**(12,000)**	–
Other jurisdictions	**–**	–
	(12,000)	–
Deferred tax credit (Note 23)		
Current year	**(500,063)**	(2,764)
Total income tax (credit) expenses for the years	**(271,943)**	3,284,710

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Denmark subsidiary is subject to Denmark Income Tax at 25% for this year.

Pursuant to the "Locality of Income" in Departmental Interpretation and Practice Notes No.21 ("DIPN No.21") issued by the Hong Kong Inland Revenue Department, U.K. Fur Limited, a wholly-owned subsidiary of the Company, has claimed the portion of its offshore sales which are not subject to Hong Kong Profits Tax for tax reporting purpose.

DIPN 21 discusses sources of income that are subject to Hong Kong Profits Tax, which is a determining factor whether DIPN 21 is applicable to a company. The offshore sales of the Group comprise (i) the resale of fur skins through the Auctions in Denmark and Finland; and (ii) the sale of fur skins to customers of the Group in PRC and Russia. Fur skins sold to customers of the Group in Europe (excluding Denmark and Finland), the USA and Ukraine were delivered through Hong Kong after going through the dressing process and sold/delivered further to customers and had been treated as onshore sales of the Group and were subject to the Hong Kong Profits Tax. Notwithstanding the fact that the office of the Group in Hong Kong issues confirmations of sales or invoices for offshore sales, after taking into account factors including: (i) the places for negotiating and concluding the sales transactions were not in Hong Kong but in the PRC, and in the case of resale transactions, Denmark or Finland; (ii) the places for negotiating and concluding the purchase transactions were not in Hong Kong but in Denmark and Finland; and (iii) the deliveries of fur skins to such customers were from Denmark or Finland to the destinations in the PRC or in Russia as instructed by the customers. The offshore sales of the Group are considered not sourcing from Hong Kong and thus, such income has offshore status and is not subject to Hong Kong Profits Tax.

10. Income Tax (Credit) Expenses *(Continued)*

U.K. Fur Limited has been submitting its tax returns based on this income tax treatment within the regulatory timeframe. So far, Hong Kong Inland Revenue Department has issued 2009/2010, 2010/2011 and 2011/2012 tax assessments and has not raised any objection to tax return of the past three years. As no objection to tax return of past three years was raised by Hong Kong Inland Revenue Department, it is assuming that the offshore revenue is allowable by Hong Kong Inland Revenue Department. The tax provision in the financial statements for the current year was calculated based on the assumption that the offshore claim made with the Inland Revenue Department is valid and accepted by Inland Revenue Department.

The tax (credit) expenses for the years can be reconciled to the profits before tax per as follows:

	2013	2012
	HK$	HK$
Profits before tax	**26,853,759**	19,840,976
Tax at Hong Kong Profits Tax of 16.5%	**4,430,870**	3,273,761
Tax effect of income not taxable for tax purposes	**(6,279,018)**	(5)
Tax effect of expenses not deductible for tax purposes	**1,457,741**	10,954
Tax effect on tax losses not recognised	**174,116**	—
Over provision in prior year	**(12,000)**	—
Effect of different tax rates of group entities operating in other jurisdictions	**(43,652)**	—
Income tax (credit) expenses for the years	**(271,943)**	3,284,710

11. Dividends

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 March 2013 of HK0.7 cents per share have been proposed by the directors and is subject to approval by the shareholders in the coming general meeting.

The Board proposed a bonus issue of one bonus share for every five existing shares held by the members whose names are on the register of members on 5 July 2013. The proposed bonus issue is subject to, inter alia, shareholders' approval and the Stock Exchange approval.

The final dividend for the year ended 31 March 2012 of HK$8,280,000 was declared by the board of U.K. Fur Limited to its then shareholder, Mr. Wong Chun Chau.

12. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to equity holders of the Company is based on the profits attributable to equity holders of the Company for the year ended 31 March 2013 of HK$27,125,702 (2012: HK$16,556,266) and the following data:

	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**877,808,219**	720,000,000
Effect of dilutive potential ordinary shares on share options	**10,925,459**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**888,733,678**	720,000,000

The calculation of basic and diluted earnings per share for the year ended 31 March 2012 is based on the net profit for the year ended 31 March 2012 and the weighted average number of ordinary shares in issue during year on the assumption that 720,000,000 shares of HK$0.01 each, representing the number of shares of the Company immediately after the Reorganisation as detailed in the Prospectus dated on 24 August 2012 but excluding any shares to be issued pursuant to the Placing had been effective on 1 April 2011.

13. Property, Plant and Equipment

	Land HK$	Buildings HK$	Plant and machinery HK$	Office equipment HK$	Total HK$
COST					
At 1 April 2011	—	—	—	100,200	100,200
Additions	—	—	—	—	—
Exchange alignment	—	—	—	—	—
At 31 March 2012 and 1 April 2012	—	—	—	100,200	100,200
Additions	6,105,375	4,252,500	5,443,875	41,251	15,843,001
Exchange alignment	—	—	—	—	—
At 31 March 2013	6,105,375	4,252,500	5,443,875	141,451	15,943,201
ACCUMULATED DEPRECIATION					
At 1 April 2011	—	—	—	40,080	40,080
Charge for the year	—	—	—	20,040	20,040
Exchange alignment	—	—	—	—	—
At 31 March 2012 and 1 April 2012	—	—	—	60,120	60,120
Charge for the year	—	12,552	87,350	25,540	125,442
Exchange alignment	—	189	1,314	—	1,503
At 31 March 2013	—	12,741	88,664	85,660	187,065
CARRYING VALUES					
At 31 March 2013	6,105,375	4,239,759	5,355,211	55,791	15,756,136
At 31 March 2012	—	—	—	40,080	40,080

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	2-5%
Plant and machinery	5-20%
Office equipment	20%

Land represents the freehold land situated in Denmark. No depreciation will be provided accordingly. All Buildings are located on the freehold land situated in Denmark.

14. Investment Property

	HK$
COST	
At 1 April 2012	—
Additions	742,500
Exchange alignment	—
At 31 March 2013	742,500
ACCUMULATED DEPRECIATION AND IMPAIRMENT	
At 1 April 2012	—
Charge for the year	1,220
Exchange alignment	18
At 31 March 2013	1,238
CARRYING VALUES	
At 31 March 2013	741,262
At 31 March 2012	—

The directors consider that the fair value of the Group's investment property at 31 March 2013 was HK$742,500.

The Group adopted the cost model under Hong Kong Accounting Standard 40 to account for the investment property. Thus, the above investment property is carried at cost less accumulated depreciation and less impairment loss.

The investment property is located on freehold land situated in Denmark. The investment property is held to earn rental under operating leases.

The investment property is depreciated on a straight-line basis at 2% per annum.

15. Biological Assets

	Mated females HK$	Males for breeding HK$	Total HK$
As at 1 April 2012	—	—	—
Increase due to purchase	5,407,100	1,474,254	6,881,354
Increase due to raising (Feeding cost and others)	74,612	17,025	91,637
Decrease due to retirement and deaths	—	—	—
Transferred to inventory	(33,755)	(1,237,299)	(1,271,054)
Change in fair value less costs to sell	434,301	(234,429)	199,872
Exchange alignment	88,455	294	88,749
As at 31 March 2013	5,970,713	19,845	5,990,558

The number of biological assets is as follows:

	2013 HK$	2012 HK$
Mated females	**5,897**	—
Males for breeding	**21**	—
At the end of the year	**5,918**	—

Analysed for reporting purposes as follows:

	2013 HK$	2012 HK$
Current assets	**5,990,558**	—
Non-current assets	**—**	—
At the end of the year	**5,990,558**	—

Mated females represent the female minks which are primarily held for further growth for the production of mink. The males for breeding are prime of selected as breeding stock.

The fair value of biological assets of the Group as at 31 March 2013 has been arrived at on the basis of a valuation carried out at that date by an independent professional valuer who have appropriate qualification and experiences in providing biological asset valuation services to various companies.

The fair value less costs to sell of mated females and males for breeding was determined by average cost approach on Danish farms plus the skin price through every month during the year.

15. Biological Assets *(Continued)*

In addition, the following principal assumptions have been adopted by an independent professional valuer:

(a) There will be no major change on existing political, legal and economic conditions in Denmark.

(b) There will be no major change in the current taxation law and tax rates as prevailing and that all applicable laws and regulation will be complied with the company.

(c) The interest rates and exchange rates will not differ materially from those prevailing.

(d) The biological assets are properly fed with balance diets such that they are gaining weight in accordance under normal growth rate and are receiving appropriate veterinary care.

(e) The biological assets are free from any animal diseases such that they are all healthy and are capable to generating valuable outputs in line with normal expectations and subject to normal operating expense.

(f) The availability of finance will not be a constraint on the breeding of the biological assets.

(g) The production facilities, system and the technology utilised by the farms in carrying out its breeding operations do not fringe any relevant regulations and law.

(h) The farms have obtained or shall have no impediment to obtain all necessary government permits and approvals to carry out its breeding operations in Denmark.

(i) The biological assets are not subject to any liabilities, interest-bearing loans and encumbrances that would impair their fair value as at the relevant valuation date.

(j) The farms will secure and retain competent management, key personnel, marketing and technical staff to carry out and support its breeding operations.

16. Inventories

	2013 **HK$**	2012 HK$
Trading goods		
— Pelted skins	**1,290,168**	—
— Raw skins	**87,688,786**	17,880,019
— Dressed skins	**—**	644,753
	88,978,954	18,524,772

All of the inventories of the Company carried at lower of cost or net realisable value at 31 March 2013 and 2012 respectively.

17. Trade and Other Receivables

	2013 HK$	2012 HK$
Trade receivables	**51,253,885**	56,695,858
Less: impairment loss on trade receivables	**—**	—
	51,253,885	56,695,858
Other receivables:		
Prepayment	**757,566**	314,377
Rental deposit	**102,799**	64,456
Utilities deposit	**26,000**	26,000
Others	**470,776**	—
	52,611,026	57,100,691

The Group allows a credit period ranging from 0 day to 120 days to its trade customers. The aging analysis of the Group's trade receivables based on invoice date, net of allowance for doubtful debts as at 31 March 2013 and 2012 were as follows:

	2013 HK$	2012 HK$
0 - 60 days	**44,964,541**	46,813,517
61 - 90 days	**4,027,597**	6,504,981
91 - 120 days	**—**	3,377,360
Over 120 days	**2,261,747**	—
	51,253,885	56,695,858

The directors consider that the carrying amounts of trade and other receivables approximate to their fair values.

Trade receivables disclosed above include amounts which are past due at 31 March 2013 and 2012 for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owned by the Group to the counterparty.

17. Trade And Other Receivables *(Continued)*

The following is an aging analysis of the Group's trade receivables that are past due but not impaired at 31 March 2013 and 2012.

	2013 HK$	2012 HK$
Overdue by:		
0 - 60 days	**2,385,373**	—
61 - 90 days	**—**	—
91 - 120 days	**—**	—
Over 120 days	**—**	—
	2,385,373	—

18. Bank Balances and Cash

Cash at bank earns interest at floating rates based on the daily bank deposit rates during the year.

19. Trade and Other Payables

	2013 HK$	2012 HK$
Trade payables	**78,080,621**	13,305,679
Other payables:		
Accruals	**560,298**	185,766
Accrued bond interest	**229,165**	—
Accrued auction interest	**397,194**	—
Audit fee	**500,000**	100,000
Rental deposit	**31,590**	—
	79,798,868	13,591,445

The Group normally settles the outstandings due to trade payables within 21 days credit term. Based on the invoice date, aging analysis of trade payables as at 31 March 2013 and 2012 were as follows.

	2013 HK$	2012 HK$
0 - 60 days	**50,313,314**	3,259,249
61 - 90 days	**—**	—
91 - 120 days	**26,107,969**	10,046,430
Over 120 days	**1,659,338**	—
	78,080,621	13,305,679

The directors consider that the carrying amounts of trade and other payables approximate to their fair values.

20. Auction Loans

	2013 HK$	2012 HK$
Loans from auction houses	–	18,829,180

The auction loans were unsecured and interest bearing. The auction loans will be charged at interest rates ranging from 8.5% to 10% per annum.

21. Bank Borrowings

	2013 HK$	2012 HK$
Trust receipt loans	31,655,899	17,277,113

The unsecured trust receipt loans obtained by a subsidiary, which were secured by corporate guarantee given by the Company. The unsecured trust receipt loans will be charged at variable interest rates ranging from 2.62% to 3.05% (2012: 0.61% to 2.67%).

The amounts repayable as extracted from agreed repayment schedules from financial institutions were as follows:

	2013 HK$	2012 HK$
On demand or within one year	31,655,899	17,277,113
More than one year, but not exceeding two years	–	–
More than two year, but not exceeding five years	–	–
More than five years	–	–
	31,655,899	17,277,113

22. Corporate Bond

The Group issued a corporate bond with the principal amount of HK$10,000,000 at the interest rate of 5.5% per annum payable annually for 7 years.

23. Deferred Taxation

The followings are the major deferred tax liability and asset recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$	Tax losses HK$	Total HK$
At 1 April 2011	7,208	—	7,208
Credit to profit or loss for the year	(2,764)	—	(2,764)
At 31 March 2012 and 1 April 2012	4,444	—	4,444
Charge (credit) to profit or loss for the year	3,026	(503,089)	(500,063)
At 31 March 2013	7,470	(503,089)	(495,619)

At the end of reporting period, the Group has unused tax losses of approximately HK$3,049,000 (2012: HK$Nil) available to set off against future profits that may be carried forward indefinitely. All deferred tax asset has been recognised in respect of approximately HK$3,049,000 (2012: HK$Nil) of such losses.

No deferred tax was recognised from the overseas subsidiary as the amount is insignificant.

24. Share Capital

	Notes	Number of ordinary shares of HK$0.01 each	Number of ordinary shares of HK$0.1 each	HK$
Authorised:				
At 1 April 2012		—	250,000,000	25,000,000
Subdivided into 10 shares of par value of HK$0.01 each		2,500,000,000	(250,000,000)	—
At 31 March 2013		2,500,000,000	—	25,000,000
Issued and fully paid:				
At 1 April 2012	(a)	—	72,000,000	7,200,000
Subdivided into 10 shares of par value of HK$0.01 each	(b)	720,000,000	(72,000,000)	—
Issue of shares upon listing	(c)	240,000,000	—	2,400,000
Issue of shares by placing for cash	(d)	192,000,000	—	1,920,000
At 31 March 2013		1,152,000,000	—	11,520,000

24. Share Capital *(Continued)*

During the year, the movements in the Company's share capital are as follows:

(a) Pursuant to the Reorganisation plan, the Company would issue shares in exchange of and as consideration for the acquisition of the entire issued share capital of 2 shares of US$1.00 each in the capital of Trade Region Limited from Mr. Wong Chun Chau, the Company (i) credited as fully paid at par the 1 nil-paid share of HK$0.10 each held by Trade Global Investments Limited and (ii) allotted and issued 71,999,999 shares of HK$0.10 each, all credited as fully paid, to Trade Global Investments Limited.

(b) On 1 August 2012, each of the then issued and unissued of par value of HK$0.10 each in the share capital of the Company was subdivided into 10 shares of par value HK$0.01 each. Upon the share subdivision becoming effective, the authorised share capital of the Company became HK$25,000,000 divided into 2,500,000,000 shares, of which 720,000,000 were in issue and fully paid. All the shares upon subdivision becoming effective rank pari passu in all respects with each other and the share subdivision did not result in any change in the relevant rights of the shareholders.

(c) On 24 August 2012, the Company issued 240,000,000 new ordinary shares of HK$0.01 each pursuant to the placing at a price of HK$0.26 each upon the listing of the shares of the Company on the Growth Enterprise Market of the Stock Exchange.

(d) On 7 March 2013, the Company issued and allotted 192,000,000 new ordinary shares of HK$0.01 each at HK$0.325 per share as a result of the top-up placing and subscription, the details of which were disclosed in the announcement dated 26 February 2013.

25. Operating Lease Commitment

The Group as lessee

	2013 **HK$**	2012 HK$
Minimum lease payments paid under operating leases during the year		
Rented premises	**360,432**	364,951

25. Operating Lease Commitment *(Continued)*

The Group as lessee *(Continued)*

At 31 March 2013, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2013 HK$	2012 HK$
Within one year	**321,270**	300,000
In the second to fifth years inclusive	**–**	300,000
Over five years	**–**	–
	321,270	600,000

Operating lease payments represent rentals payable by the Group for certain of its office. Leases are negotiated for a term from 1 to 3 years.

The Group as lessor

Property rental income earned during the year was HK$6,783 (2012: HK$Nil). The investment property is held for rental purposes. It is expected to generate rental yields of 22% on an ongoing basis. The property held has committed tenants to continue until notice.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2013 HK$	2012 HK$
Within one year	**41,310**	–
In the second to fifth years inclusive	**–**	–
Over five years	**–**	–
	41,310	–

26. Capital Commitments

	2013 HK$	2012 HK$
Capital expenditure in respect of the acquisition of property, plant and equipment:		
Contracted but not provided for	**396,500**	–
Authorised for but not contracted for	**–**	–

27. Share-Based Payment Transactions

Pre-IPO Share Option Scheme

Pursuant to a written resolution of the Company passed on 1 August 2012, the Company has conditionally adopted the Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on 1 August 2012 for the primary purpose of providing incentive to eligible participants. The total number of shares in respect of which share options granted under the Pre-IPO Share Option Scheme as at 31 March 2013 was 80,640,000 which represented approximately 7% of the issued share capital of the Company as at 31 March 2013.

The following table discloses details of the Company's Pre-IPO Share Options held by Directors, consultant and employees of the Group and movements in such holdings during the year:

	Option type	Date of grant	Exercise price	At 1.4.2012	Granted during the year	Exercised during the year	Lapsed during the year	At 31.3.2013
Directors	A	1 August 2012	0.208	–	60,480,000	–	–	60,480,000
Employees	B	1 August 2012	0.260	–	5,760,000	–	–	5,760,000
Others	C	1 August 2012	0.260	–	14,400,000	–	–	14,400,000
Total				–	80,640,000	–	–	80,640,000

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price HK$
A	1 August 2012	1/2 portion: 1 February 2013 to 31 July 2022 1/2 portion: 1 February 2014 to 31 July 2022	0.208
B	1 August 2012	1/3 portion: 1 April 2013 to 31 July 2022 1/3 portion: 1 April 2014 to 31 July 2022 1/3 portion: 1 April 2015 to 31 July 2022	0.260
C	1 August 2012	1/3 portion: 1 April 2013 to 31 July 2022 1/3 portion: 1 April 2014 to 31 July 2022 1/3 portion: 1 April 2015 to 31 July 2022	0.260

27. Share-Based Payment Transactions *(Continued)*

Pre-IPO Share Option Scheme *(Continued)*

The fair value of the options granted was determined by an independent third party, Asset Appraisal Limited, by using Binomial Option Pricing Model, the assumption used to determine the value for the Scheme were as follows:

Vesting period	Underlying share value	Exercise multiple	Risk free rate	Volatility	Employee exit rate post-vesting	Dividend yield
Various	HK$0.24	1.5	0.632%	43.88%	Nil	Nil

Notes:

(a) the IPO mid-point of the IPO offering price range, the IPO price is provided by the Company.

(b) the exercise multiple defines the early exercise strategy.

(c) risk free rate represents the yields to maturity of Hong Kong Exchange Fund Note with respective terms to maturity as at the valuation date, 1 August 2012.

(d) exit rate post-vesting is the percentage of share option lapsed after the vesting period.

(e) volatility is the annualised standard deviation of daily return of the Company's share price with reference to Bloomberg.

The fair value of the granted options amounted for HK$6,923,241, which will be charged to profit or loss through the vesting period.

Share Option Scheme

The Company adopted the Share Option Scheme on 1 August 2012, which was approved by the shareholders' written resolutions, is valid and effective for a period of 10 years. It is a share incentive scheme and is established to recognise and motivate the contribution of the eligible participants and to provide them with a direct economic interest in attaining the long term business objectives of the Company. Pursuant to the Share Option Scheme, the Board may, at its discretion, offer to grant an option to any director, employee and any advisor or consultant who has contributed or is expected to contribute to the Group.

The total number of shares in respect of which share options may be granted under the Share Option Scheme must not exceed 10% of the total number of issued shares of the Company as at 31 March 2013.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme to eligible participants in any 12-month period up to and including the date of grant shall not exceed 1% of the shares in issue as the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the approval of shareholders in a general meeting.

For the year ended 31 March 2013 and up to the reporting date, no share options have been granted under the Share Option Scheme.

28. Retirement Benefit Plans

The Group operates a Mandatory Provident Fund Scheme ("the MPF Scheme") for all its qualifying employees in Hong Kong under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme were held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees were each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme was to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

29. Event After the Reporting Period

(a) With reference to the circular dated 19 April 2013, Trade Region Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement on 6 March 2013 as a purchaser to acquire the entire issued share capital of Loyal Speed Limited from Cheer Dragon International Limited in the total consideration of HK$91,000,000, HK$71,000,000 of which shall be paid by cash while the remaining amount shall be paid by promissory note issued by the Company. As the entire issued share capital of Cheer Dragon International Limited was held by Mr. Ching Kwok Ho, Samuel and Mr. Wong Chun Chau by 92% and 8% respectively and Mr. Wong is an executive director and controlling shareholder of the Company, the acquisition was deemed as a connected transaction under GEM Listing Rules. The acquisition was approved by the shareholders by poll at the extraordinary general meeting held on 9 May 2013 and was completed on 13 May 2013.

(b) Pursuant to the announcement dated 10 May 2013, UKF (Denmark) A/S, an indirect wholly owned subsidiary of the Company, signed the acquisition agreement on 8 May 2013 as purchaser in respect of acquisition of a mink farm located in Denmark by consideration of DKK11,130,000 (equivalent to about HK$15,136,800).

30. Contingent Liabilities

As 31 March 2013, the Company has granted a corporate guarantee to secure general banking facilities which is available to U.K. Fur Limited. According to the banking facilities, up to HK$50 million will be available to U.K. Fur Limited.

31. Related Party Transactions

(a) Categories of financial instruments

During the year, the Group entered into the following transactions with related parties. The transactions were carried out at estimated market prices determined by the directors of the Company.

Name of related party	Nature of transaction	2013 HK$	2012 HK$
United Kingdom Fur Co. Limited	Interest received	–	48,922
Universal Apparel Limited	Rental of premise	300,000	300,000

The related party transactions with United Kingdom Fur Co. Limited has been ceased after the year ended of 31 March 2012.

31. Related Party Transactions *(Continued)*

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2013 HK$	2012 HK$
Short-term benefits	**2,193,100**	1,649,000
Post-employment benefits	**43,500**	36,000
Share-based payments	**3,778,313**	—
	6,014,913	1,685,000

The remuneration of directors and key executives is determined by the board and reviewed by the remuneration committee having regard to the performance of individuals and market trends.

32. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through optimisation of the debt and equity balance. The Group's overall strategy remained unchanged as compared to that in 2012.

The capital structure of the Group consists of net debts, which included, auction loans, bank borrowings and corporate bond disclosed in notes 20, 21 and 22 respectively, net of cash and cash equivalents and equity attributable to the equity holders of the Company, comprising capital and retained earnings.

The directors of the Company review the capital structure periodically. The directors of the Company consider the cost of capital and the risks associated with each class of capital will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. No changes were made in the objectives, policies or processes as compared to that in 2012.

The management considers the gearing ratio at the year ended was as follows:

	2013 HK$	2012 HK$
Total borrowings:		
Auction loans	**—**	18,829,180
Bank borrowings	**31,655,899**	17,277,113
Corporate bond	**10,000,000**	—
	41,655,899	36,106,293
Total assets	**299,049,497**	84,839,423
Gearing ratio	**13.93%**	42.56%

33. Financial Risk Management Objectives and Policies

The Group's major financial instruments include trade and other receivables, borrowings, trade and other payables and corporate bond. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Categories of financial instrument

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	Financial instrument classification	2013 HK$	2012 HK$
Financial assets			
Trade and other receivables	Loans and receivables	**52,611,026**	57,100,691
Bank balances and cash	Loans and receivables	**134,468,472**	9,173,880
		187,079,498	66,274,571
Financial liabilities			
Trade and other payables	At amortised cost	**79,798,868**	13,591,445
Auction loans	At amortised cost	**—**	18,829,180
Bank borrowings			
— due within one year	At amortised cost	**31,655,899**	17,277,113
Corporate bond	At amortised cost	**10,000,000**	—
		121,454,767	49,697,738

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.

The Group relies on auction loans and bank borrowings as a significant source of liquidity. At 31 March 2013, the Group has a short term trust receipt loans facilities with maximum limit of HK$50,000,000. Details of which are set out in note 21.

33. Financial Risk Management Objectives and Policies *(Continued)*

Liquidity risk *(Continued)*

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	At 31 March 2013				
	On demand HK$	**Within 1 year HK$**	**2-5 years HK$**	**Over 5 years HK$**	**Total HK$**
Trade and other payables	**79,798,868**	**—**	**—**	**—**	**79,798,868**
Auction loans	**—**	**—**	**—**	**—**	**—**
Bank borrowings					
— due within one year	**31,655,899**	**—**	**—**	**—**	**31,655,899**
Corporate bond	**—**	**—**	**—**	**10,000,000**	**10,000,000**
	111,454,767	**—**	**—**	**10,000,000**	**121,454,767**

	At 31 March 2012				
	On demand HK$	Within 1 year HK$	2-5 years HK$	Over 5 years HK$	Total HK$
Trade and other payables	13,591,445	—	—	—	13,591,445
Auction loans	18,829,180	—	—	—	18,829,180
Bank borrowings					
— due within one year	17,277,113	—	—	—	17,277,113
Corporate bond	—	—	—	—	—
	49,697,738	—	—	—	49,697,738

33. Financial Risk Management Objectives and Policies *(Continued)*

Market risk

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

(a) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings at 31 March 2013 (see notes 18 and 21) for details of these bank balances and bank borrowings. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. Fluctuations of prevailing rate quoted by the bank are the major sources of the Group's cash flows interest rate risk.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for variable-rate bank borrowings and bank balances. The analysis is prepared assuming the financial instruments outstanding at the end of reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2013 would increase/decrease by HK$514,063 (2012: decrease/increase by HK$40,516).

(b) Foreign Currency risk

The Group carries out its business in Hong Kong and worldwide and most of the transactions are denominated in United States dollars ("US$") and Danish Kroner ("DKK"). The sales and purchases transactions of the Group have 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. During the year, management of the Group did not consider it necessary to use foreign currency forward contracts to hedge the exposure to foreign currency risk as most of the assets and liabilities denominated in currencies other than the functional currency of the entity to which they related are short term foreign currency cash flows. As the HK$ is pegged to the US$, the Group considers the risk of movements in exchange rates between the HK$ and the US$ to be insignificant.

During the year, management of the Group did not consider it necessary to use foreign currency forward contracts to hedge the exposure to foreign currency risk due to the operation of the overseas subsidiary in Denmark, as the fluctuation of the exchange rate of DKK relatively stable.

33. Financial Risk Management Objectives and Policies *(Continued)*

Market risk *(Continued)*

(b) Foreign Currency risk *(Continued)*

During the year, the carrying amounts of the Group's financial assets and financial liabilities denominated in US$ and DKK at the respective reporting dates are as follows:

	Assets		Liabilities	
	2013	2012	**2013**	2012
	HK$	HK$	**HK$**	HK$
Danish Kroner ("DKK")	**604,575**	14,456	**521,504**	6,820
United States dollars ("US$")	**72,394,762**	62,120,297	**110,133,714**	49,493,735

Credit risk management

At the respective reporting dates, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statement of financial position.

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 adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significant reduced.

Fair value

The fair value of financial assets and financial liabilities of the Group are determined as follows:

the fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transaction as input. For an option-based derivative, the fair value is estimated using option pricing model.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate to their fair values.

33. Financial Risk Management Objectives and Policies *(Continued)*

Fair value *(Continued)*

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 (Highest level): fair values measured are those derived from quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) ; and
- Level 3 (Lowest level): fair values measured are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2013		
	Level 1	**Level 2**	**Level 3**
	HK$	HK$	HK$
Liabilities			
Corporate bond	—	—	10,000,000

There were no transfers between levels 1,2 and 3 in both years.

34. Particulars of Principal Subsidiaries

Name of subsidiary	Place of incorporation	Issued and fully paid share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
UKF Finance Limited	Hong Kong	HK$1,000,000	100%	–	Dormant
Trade Region Limited	British Virgin Islands	US$2	100%	–	Investment holdings
U.K. Fur Limited	British Virgin Islands	US$10,000	–	100%	Trading of fur skins
UKF (Denmark) A/S	Denmark	DKK500,000	–	100%	Mink farming

None of the subsidiaries had any debt securities outstanding at the end of the year.

35. Information About the Statement of Financial Position of the Company

	2013 HK$	2012 HK$
Non-current assets		
Investment in subsidiaries	**8,200,000**	7,200,000
Deferred tax asset	**503,089**	—
	8,703,089	7,200,000
Current assets		
Prepayment	**467,500**	—
Amounts due from a subsidiary	**72,153,830**	—
Bank balances and cash	**60,675,413**	—
	133,296,743	—
Current liabilities		
Accruals	**242,265**	—
Amounts due to a subsidiary	**997,000**	110,379
	1,239,265	110,379
Net current assets (liabilities)	**132,057,478**	(110,379)
Total assets less current liabilities	**140,760,567**	7,089,621
Non-current liability		
Corporate bond	**10,000,000**	—
Net assets	**130,760,567**	7,089,621
Capital and reserve		
Share capital	**11,520,000**	7,200,000
Reserves	**119,240,567**	(110,379)
	130,760,567	7,089,621

FINANCIAL SUMMARY

Results

	2010 HK$	2011 HK$	2012 HK$	**2013** **HK$**
Revenue	24,915,731	109,735,579	214,552,947	**297,524,230**
Profits before tax	7,345,957	17,379,817	19,840,976	**26,853,759**
Income tax (expenses) credit	(1,226,200)	(2,878,351)	(3,284,710)	**271,943**
Profits attributable to equity holders of the Company	6,119,757	14,501,466	16,556,266	**27,125,702**

Assets and Liabilities

	2010	2011	2012	**2013**
Total assets	44,879,552	63,968,231	84,839,423	**299,049,497**
Total liabilities	(38,681,795)	(51,869,008)	(56,183,934)	**(128,024,398)**
Shareholders' equity	6,197,757	12,099,223	28,655,489	**171,025,099**

PARTICULARS OF MAJOR PROPERTY

Investment property

Location	Use	Category of lease	Group's interest
Omme Landevej 35 DK-7200 Grindsted	Residential	Freehold	100%