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## **UKF (HOLDINGS) LIMITED**

### **英裘(控股)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 01468)

## **ANNUAL RESULTS ANNOUNCEMENT**

### **For the year ended 31 March 2016**

The board of Directors (the “Board”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2016 together with comparative figures for the corresponding year in 2015, as follows:

## **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 March 2016*

		<b>2016</b>	<b>2015</b>
	<i>Notes</i>	<b>HK\$</b>	<b>HK\$</b>
Revenue	3	<b>219,728,624</b>	301,596,169
Cost of sales		<b>(236,662,797)</b>	(217,994,664)
Gross profits		<b>(16,934,173)</b>	83,601,505
Other income		<b>9,655,467</b>	1,365,789
Write-down of inventories		<b>(5,808,579)</b>	—
Impairment of goodwill		<b>(37,575,889)</b>	—
Change in fair value less costs to sell of			
biological assets	9	<b>26,814,354</b>	16,024,927
Administrative expenses		<b>(63,838,131)</b>	(55,507,940)
Finance costs		<b>(5,663,120)</b>	(7,411,648)
(Loss) profit before tax	5	<b>(93,350,071)</b>	38,072,633
Income tax expense	6	<b>(1,091,701)</b>	(1,433,480)
(Loss) profit for the year and attributable to owners of the Company		<b>(94,441,772)</b>	36,639,153

		2016	2015
	Note	HK\$	HK\$
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of overseas operation		(1,175,381)	1,775,374
Change in fair value of available-for-sale investment		<u>380,471</u>	<u>(1,746,797)</u>
Other comprehensive (expense) income for the year, net of tax		<u>(794,910)</u>	<u>28,577</u>
Total comprehensive (expense) income for the year attributable to owners of the Company		<u><u>(95,236,682)</u></u>	<u><u>36,667,730</u></u>
(Loss) earnings per share	8		
Basic		<u><u>(3.22) cents</u></u>	<u><u>1.53 cents</u></u>
Diluted		<u><u>(3.22) cents</u></u>	<u><u>1.48 cents</u></u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 March 2016*

		<b>2016</b>	<b>2015</b>
	<i>Notes</i>	<b>HK\$</b>	<b>HK\$</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>135,362,408</b>	35,874,450
Investment properties		—	1,125,559
Goodwill		<b>37,857,253</b>	75,433,142
Available-for-sale investment		<b>10,503,111</b>	10,122,640
Deferred tax asset		<b>495,259</b>	1,241,921
		<hr/>	<hr/>
		<b>184,218,031</b>	123,797,712
		<hr/>	<hr/>
<b>Current assets</b>			
Biological assets	9	<b>29,483,556</b>	18,509,725
Inventories		<b>54,287,749</b>	80,577,472
Trade and other receivables	10	<b>27,709,702</b>	66,751,283
Loan receivables	11	<b>107,046,011</b>	94,251,770
Derivative financial instruments		—	149,143
Tax recoverable		<b>2,249,037</b>	1,242,606
Bank balances and cash		<b>66,138,753</b>	136,655,316
		<hr/>	<hr/>
		<b>286,914,808</b>	398,137,315
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	12	<b>37,021,416</b>	59,859,109
Derivative financial instruments		—	150,258
Tax payables		<b>6,038,043</b>	5,540,168
Bank borrowings		<b>130,960,159</b>	145,130,478
Obligations under finance leases		<b>293,116</b>	194,897
Bank overdraft		—	171,850
		<hr/>	<hr/>
		<b>174,312,734</b>	211,046,760
		<hr/>	<hr/>

	<i>Note</i>	<b>2016</b> <b>HK\$</b>	2015 <i>HK\$</i>
<b>Net current assets</b>		<b>112,602,074</b>	187,090,555
<b>Total assets less current liabilities</b>		<b>296,820,105</b>	310,888,267
<b>Non-current liabilities</b>			
Obligations under finance leases		<b>693,942</b>	16,628
Corporate bond		<b>10,000,000</b>	10,000,000
Deferred tax liability		<b>534</b>	115,019
		<b>10,694,476</b>	10,131,647
<b>Net assets</b>		<b>286,125,629</b>	300,756,620
<b>Capital and reserve</b>			
Share capital	13	<b>28,350,744</b>	20,063,020
Reserves		<b>257,774,885</b>	280,693,600
		<b>286,125,629</b>	300,756,620

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Share capital HK\$	Share premium HK\$	Merger reserve HK\$	Share option reserve HK\$	Warrants reserve HK\$	Investments revaluation reserve HK\$	Translations reserve HK\$	Retained profit HK\$	Total HK\$
At 1 April 2014	16,517,760	182,167,594	(7,122,000)	4,811,474	203,180	—	(113,252)	75,006,698	271,471,454
Profit for the year	—	—	—	—	—	—	—	36,639,153	36,639,153
Other comprehensive (expense) income for the year									
Exchange difference on translation of overseas operation	—	—	—	—	—	—	1,775,374	—	1,775,374
Change in fair value of available-for-sale investment	—	—	—	—	—	(1,746,797)	—	—	(1,746,797)
Total comprehensive (expense) income for the year	—	—	—	—	—	(1,746,797)	1,775,374	36,639,153	36,667,730
Issue of shares upon bonus issue	3,303,552	(3,340,452)	—	—	—	—	—	—	(36,900)
Exercise of pre-IPO share options	29,608	674,906	—	(168,609)	—	—	—	—	535,905
Share options granted	—	—	—	935,304	—	—	—	—	935,304
Dividend paid	—	—	—	—	—	—	—	(10,212,871)	(10,212,871)
Issue of warrants	—	—	—	—	925,500	—	—	—	925,500
Issue of shares upon exercise of warrants	500,000	9,681,375	—	—	(231,375)	—	—	—	9,950,000
Warrants lapsed	—	—	—	—	(203,180)	—	—	203,180	—
Shares buy-back	(287,900)	(9,191,602)	—	—	—	—	—	—	(9,479,502)
At 31 March 2015 and 1 April 2015	20,063,020	179,991,821	(7,122,000)	5,578,169	694,125	(1,746,797)	1,662,122	101,636,160	300,756,620
Loss for the year	—	—	—	—	—	—	—	(94,441,772)	(94,441,772)
Other comprehensive (expense) income for the year									
Exchange difference on translation of overseas operation	—	—	—	—	—	—	(1,175,381)	—	(1,175,381)
Change in fair value of available-for-sale investment	—	—	—	—	—	380,471	—	—	380,471
Total comprehensive income (expense) for the year	—	—	—	—	—	380,471	(1,175,381)	(94,441,772)	(95,236,682)
Issue of shares upon bonus issue	4,050,124	(4,100,124)	—	—	—	—	—	—	(50,000)
Exercise of pre-IPO share options	37,600	857,081	—	(214,121)	—	—	—	—	680,560
Issue of shares upon exercise of warrants	150,000	2,904,412	—	—	(69,412)	—	—	—	2,985,000
Issue of shares by top-up placing	4,050,000	72,989,365	—	—	—	—	—	—	77,039,365
Share options granted	—	—	—	2,380,839	—	—	—	—	2,380,839
Share options lapsed	—	—	—	(781,545)	—	—	—	781,545	—
Dividend paid	—	—	—	—	—	—	—	(2,430,073)	(2,430,073)
At 31 March 2016	28,350,744	252,642,555	(7,122,000)	6,963,342	624,713	(1,366,326)	486,741	5,545,860	286,125,629

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	2016 HK\$	2015 HK\$
<b>Operating activities</b>		
(Loss) profit before tax	(93,350,071)	38,072,633
Adjustments for:		
Depreciation	10,173,395	4,188,400
Loss on disposal of property, plant and equipment	—	36,059
Interest income	—	(4,689)
Interest expenses	5,663,120	7,411,648
Write-down of inventories	5,808,579	—
Impairment of goodwill	37,575,889	—
Provision for allowance for bad and doubtful debts	1,050,549	—
Bank interest income	(46,946)	(93,467)
Change in fair value of derivative financial instruments	(1,115)	1,115
Loss on early redemption of promissory note	—	763,407
Adjustment for amortisation of prepaid premium	108,232	81,175
Net change in fair value less costs to sell of biological assets	(26,814,354)	(16,024,927)
Share-based payment expenses	2,380,839	935,304
Operating cash flows before movements in working capital	(57,451,883)	35,366,658
Increase in biological assets	(61,545,484)	(23,360,982)
Decrease in inventories	99,141,415	5,152,906
Decrease in trade and other receivables	38,933,349	38,905,649
(Increase) decrease in loan receivables	(13,844,790)	12,490,360
(Decrease) increase in trade and other payables	(23,433,596)	4,628,940
Cash (used in) generated from operating activities	(18,200,989)	73,183,531
Hong Kong Profits Tax paid, net	(968,080)	(6,498,117)
<b>Net cash (used in) generated from operating activities</b>	<b>(19,169,069)</b>	<b>66,685,414</b>
<b>Investing activities</b>		
Bank interest received	46,946	93,467
Interest received	—	4,689
Purchase of available-for-sale investment	—	(12,627,061)
Purchase of property, plant and equipment	(104,300,415)	(9,594,990)
Proceeds from disposal of property, plant and equipment	93,539	455,400
<b>Net cash used in investing activities</b>	<b>(104,159,930)</b>	<b>(21,668,495)</b>

	2016 HK\$	2015 HK\$
<b>Financing activities</b>		
Dividend paid	(2,430,073)	(10,212,871)
Repayment of promissory note	—	(20,000,000)
New bank borrowings	261,085,426	295,376,429
Repayments of bank borrowings	(275,255,745)	(253,619,083)
Net proceeds from issue of warrants	—	925,500
Proceeds of share options exercised	680,560	535,905
Proceeds from issue of shares upon exercise of warrants	2,985,000	9,950,000
Net proceeds from issue of shares by top-up placing	77,039,365	—
Issuance expenses for bonus issue	(50,000)	(36,900)
Repurchase of ordinary shares	—	(9,479,502)
Inception of obligations under finance leases	1,141,571	—
Repayment of obligations under finance leases	(457,829)	(186,580)
Withdrawal of pledged bank deposits	—	8,528,800
Interest paid	(5,067,217)	(6,723,735)
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<b>Net cash generated from financing activities</b>	<b>59,671,058</b>	<b>15,057,963</b>
	<hr/>	<hr/>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(63,657,941)</b>	<b>60,074,882</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>136,483,466</b>	<b>60,756,260</b>
Effect of foreign exchange rate changes, net	(6,686,772)	15,652,324
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year</b>	<b>66,138,753</b>	<b>136,483,466</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents represented by:</b>		
Bank balances and cash	66,138,753	136,655,316
Bank overdraft	—	(171,850)
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	<b>66,138,753</b>	<b>136,483,466</b>
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2016*

### 1. GENERAL

UKF (Holdings) Limited (the “Company”) is a public limited company incorporated in Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is Unit 902, Harbour Centre, Tower 2, 8 Hok Cheung Street, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are trading of fur skins, mink farming in Denmark and fur skins brokerage.

The consolidated financial statements are presented in Hong Kong dollars (HK\$), which is also the functional currency of the Company.

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

#### **New and revised HKFRSs applied with no material effects on the consolidated financial statements**

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 2015, except for the following amendments to HKFRSs that the Group has applied for the first time in the current year. The application of these new and revised HKFRSs has had no material 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.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 — 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 — 2013 Cycle



#### *Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions*

The Group has applied the amendments for the first time in the current year. The amendments require the Group to account for employee contributions as follows:

- Discretionary employee contributions are accounted for as reduction of the service cost upon payments to the plans.
- Employee contributions specified in the defined benefit plans are accounted for as reduction of the service cost, only if such contributions are linked to services. Specifically, when the amount of such contribution depends on the number of years of service, the reduction to service cost is made by attributing the contributions to periods of service in the same manner as the benefit attribution. On the other hand, when such contributions are determined based on a fixed percentage of salary (i.e. independent of the number of years of service), the Group recognises the reduction in the service cost in the period in which the related services are rendered.

The application of these amendments has had no material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

#### *Amendments to HKFRSs 2010-2012 Cycle*

Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendment has had no impact on the Group's consolidated financial statements.
- HKAS 16 Property, Plant and Equipment and HKAS 38 Intangible Assets: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendment has had no impact on the Group's consolidated financial statements as the Group does not apply the revaluation model for the measurement of these assets.
- HKAS 24 Related Party Disclosures: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group's consolidated financial statements as the Group does not receive any management services from other entities.

## *Amendments to HKFRSs 2011-2013 Cycle*

Details of the amendments that are effective for the current year are as follows:

- **HKFRS 3 Business Combinations:** Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group's consolidated financial statements as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.
- **HKFRS 13 Fair Value Measurement:** Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group's consolidated financial statements as the Group does not apply the portfolio exception in HKFRS 13.
- **HKAS 40 Investment Property:** Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group's consolidated financial statements as no acquisition of investment properties during the year and so this amendment is not applicable.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

## 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 9	Financial Instruments <sup>2</sup>
HKFRS 15 (Revised)	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 11	Accounting for Acquisition of Interest in Joint Operations <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle <sup>1</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted
- <sup>4</sup> Effective date yet to be determined

### *HKFRS 9 Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

## Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are required to be 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 accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value 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 attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. 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 is presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

#### *HKFRS 15 (Revised) Revenue from Contracts with Customers*

HKFRS 15 (Revised) was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 (Revised) will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 (Revised) is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15 (Revised), an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 (Revised) to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15 (Revised).

The directors of the Company anticipate that the application of HKFRS 15 (Revised) in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 (Revised) until the Group performs a detailed review.

### *HKFRS 16 Leases*

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases”, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of the Company anticipate that the application of HKFRS 16 in the future may have a material impact to the Group. It is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs a detailed review.

### *Amendments to HKAS 1 Disclosure Initiative*

The amendments to HKAS 1 Presentation of Financial Statements give some guidance on how to apply the concept of materiality in practice.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKAS 1 will have a material impact on the amounts recognised in the Group’s consolidated financial statements.

*Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 Property, Plant and Equipment prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 Intangible Assets introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) when the intangible asset is expressed as a measure of revenue; or
- b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation for its property, plant and equipment, and the Group has no intangible assets other than goodwill. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

*Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants*

The amendments to HKAS 16 Property, Plant and Equipment and HKAS 41 Agriculture: Bearer Plants define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

#### *Amendments to HKAS 27 Equity Method in Separate Financial Statements*

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost;
- In accordance with HKFRS 9 Financial Instruments (or HKAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted HKFRS 9); or
- Using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards.

The directors of the Company do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

#### *Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception*

The amendments to HKFRS 10 Consolidated Financial Statements, HKFRS 12 Disclosure of Interests in Other Entities and HKAS 28 Investments in Associates and Joint Ventures clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary, whose main purpose is to provide services and activities that are related to the investment activities of the investment entity parent, applies only to subsidiaries that are not investment entities themselves.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKAS 28 will have a material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any subsidiary, associate or joint venture that qualifies as an investment entity.



*Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to HKFRS 10 and HKAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

*Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations*

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

### *Annual Improvements to HKFRSs 2012-2014 Cycle*

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the amounts recognised in the Group's consolidated financial statements.

### **3. REVENUE**

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

	<b>2016</b>	2015
	<b>HK\$</b>	HK\$
Trading of fur skins	<b>152,389,002</b>	248,356,444
Mink farming	<b>47,970,820</b>	20,307,321
Fur skins brokerage	<b>19,368,802</b>	32,932,404
	<b>219,728,624</b>	301,596,169

#### 4. SEGMENT INFORMATION

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

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

Trading of fur skins	—	Trading of fur skins of foxes and minks
Mink farming	—	Provision of breeding, farming and sale of livestock and pelted skins
Fur skins brokerage	—	Provision of fur brokerage and financing services

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

##### For the year ended 31 March 2016

	Trading of fur skins <i>HK\$</i>	Fur skins brokerage <i>HK\$</i>	Mink farming <i>HK\$</i>	Total <i>HK\$</i>
REVENUE	<u>152,389,002</u>	<u>19,368,802</u>	<u>47,970,820</u>	<u>219,728,624</u>
RESULTS				
Segment results	<u>(25,723,754)</u>	<u>19,368,802</u>	<u>(10,579,221)</u>	<u>(16,934,173)</u>
Other income				9,655,467
Write-down of inventories	(1,817,299)	—	(3,991,280)	(5,808,579)
Impairment of goodwill	—	(37,575,889)	—	(37,575,889)
Change in fair value less costs to sell of biological assets	—	—	26,814,354	26,814,354
Provision for allowance for bad and doubtful debts	—	(1,050,549)	—	(1,050,549)
Unallocated corporate expenses				(62,787,582)
Finance costs				<u>(5,663,120)</u>
Loss before tax				(93,350,071)
Income tax expense				<u>(1,091,701)</u>
Loss for the year				<u><u>(94,441,772)</u></u>

	<b>Trading of fur skins <i>HK\$</i></b>	<b>Fur skins brokerage <i>HK\$</i></b>	<b>Mink farming <i>HK\$</i></b>	<b>Total <i>HK\$</i></b>
ASSETS				
Segment assets	<b>22,028,226</b>	<b>145,300,525</b>	<b>212,953,329</b>	<b>380,282,080</b>
Unallocated corporate assets				<b>90,850,759</b>
				<hr/>
Total assets				<b>471,132,839</b>
				<hr/> <hr/>
LIABILITIES				
Segment liabilities	<b>60,278,844</b>	<b>—</b>	<b>31,237,532</b>	<b>91,516,376</b>
Unallocated corporate liabilities				<b>93,490,834</b>
				<hr/>
Total liabilities				<b>185,007,210</b>
				<hr/> <hr/>

*Other information*

	<b>Trading of fur skins <i>HK\$</i></b>	<b>Fur skins brokerage <i>HK\$</i></b>	<b>Mink farming <i>HK\$</i></b>	<b>Total <i>HK\$</i></b>
Additions of property, plant and equipment and investment properties	<b>145,000</b>	<b>—</b>	<b>104,155,415</b>	<b>104,300,415</b>
Depreciation and amortisation	<b>643,106</b>	<b>10,423</b>	<b>9,519,866</b>	<b>10,173,395</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**For the year ended 31 March 2015**

	Trading of fur skins <i>HK\$</i>	Fur skins brokerage <i>HK\$</i>	Mink farming <i>HK\$</i>	Total <i>HK\$</i>
REVENUE	248,356,444	32,932,404	20,307,321	301,596,169
RESULTS				
Segment results	49,171,105	32,932,404	1,497,996	83,601,505
Other income				1,365,789
Change in fair value less costs to sell of biological assets	—	—	16,024,927	16,024,927
Unallocated corporate expenses				(55,507,940)
Finance costs				(7,411,648)
Profit before tax				38,072,633
Income tax expense				(1,433,480)
Profit for the year				36,639,153
	Trading of fur skins <i>HK\$</i>	Fur skins brokerage <i>HK\$</i>	Mink farming <i>HK\$</i>	Total <i>HK\$</i>
ASSETS				
Segment assets	118,166,495	172,653,784	76,981,256	367,801,535
Unallocated corporate assets				154,133,492
Total assets				521,935,027
LIABILITIES				
Segment liabilities	136,570,579	—	21,184,521	157,755,100
Unallocated corporate liabilities				63,423,307
Total liabilities				221,178,407

## Other information

	Trading of fur skins HK\$	Fur skins brokerage HK\$	Mink farming HK\$	Total HK\$
Additions of property, plant and equipment and investment properties	—	3,490	9,591,500	9,594,990
Depreciation and amortisation	640,688	10,340	3,537,372	4,188,400

Segment result represents the result from 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 resources allocation and assessment of segment performance.

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

- all assets other than prepayment and deposit, bank balances and cash, tax recoverable and deferred tax asset are allocated to reportable segments. Goodwill is allocated to segment of fur skins brokerage. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segment; and
- all liabilities are allocated to reportable segments other than accrued expenses and other payable, obligations under finance leases, corporate bond, tax payables and deferred tax liability. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

## Geographical information

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

	2016 HK\$	2015 HK\$
The People's Republic of China (the "PRC")	127,860,816	248,641,745
Europe	86,325,669	33,919,000
Hong Kong	5,542,139	19,035,424
	<b>219,728,624</b>	<b>301,596,169</b>

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

	Carrying amount of segment assets		Additions to property, plant and equipment and investment properties	
	2016	2015	2016	2015
	HK\$	HK\$	HK\$	HK\$
Hong Kong	254,142,062	443,546,111	145,000	3,490
Denmark	216,990,777	78,388,916	104,155,415	9,591,500
	<u>471,132,839</u>	<u>521,935,027</u>	<u>104,300,415</u>	<u>9,594,990</u>

#### Information about major customers

For the year ended 31 March 2016, included in revenue arising from trading of fur skins and mink farming of approximately HK\$200,360,000 (2015: HK\$268,664,000) are revenue of approximately HK\$176,037,000 (2015: HK\$258,792,000) generated from sales to the Group's top three (2015: four) customers. Total amount of revenues from customers for the two financial years ended 31 March 2016 and 2015 are as follows:

	2016	2015
	HK\$	HK\$
Customer A (Segment: Trading of fur skins)	—*	83,756,000
Customer B (Segment: Trading of fur skins)	27,652,000	77,081,000
Customer C (Segment: Trading of fur skins)	62,059,000	64,036,000
Customer D (Segment: Trading of fur skins & mink farming)	86,326,000	33,919,000
	<u>176,037,000</u>	<u>258,792,000</u>

\* This customer contributed less than 10% to the Group's revenue for the year ended 31 March 2016.

No other single customer contributed 10% or more to the Group's revenue for both years ended 31 March 2016 and 2015.

## 5. (LOSS) PROFIT BEFORE TAX

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

	2016 HK\$	2015 HK\$
Auditor's remuneration	816,000	761,530
Cost of inventories recognised as expenses	228,576,563	215,568,728
Depreciation	10,173,395	4,188,400
Net foreign exchange (gains) losses	(6,307,890)	17,065,038
Staff costs (including directors' remuneration)		
— salaries and allowance	22,585,711	13,157,195
— retirements benefits scheme contributions	747,329	480,293
Gross rental income from investment properties	—	(173,279)
Less:		
Direct operating expenses incurred for investment properties that generated rental income during the year	—	—
Direct operating expenses incurred for investment properties that did not generated rental income during the year	—	—
	—	(173,279)
Loss on disposal of property, plant and equipment	—	36,059
Loss on early redemption of promissory note	—	763,407
Operating lease payments	1,335,477	923,419
Share-based payment expenses	2,380,839	935,305
Write-down of inventories	5,808,579	—
Impairment of goodwill	37,575,889	—
Provision for allowance for bad and doubtful debts	1,050,549	—
Change in fair value of derivative financial instruments	(1,115)	1,115
	<u>                    </u>	<u>                    </u>



## 6. INCOME TAX EXPENSE

	2016 HK\$	2015 HK\$
Current tax		
Hong Kong Profits Tax	459,526	2,717,463
Other jurisdictions	—	—
	<u>459,526</u>	<u>2,717,463</u>
Over provision in prior years		
Hong Kong Profits Tax	(2)	(30,000)
Other jurisdictions	—	—
	<u>(2)</u>	<u>(30,000)</u>
Deferred tax expense (credit)		
Current year	632,177	(1,253,983)
	<u>632,177</u>	<u>(1,253,983)</u>
Total income tax expense for the year	<u><u>1,091,701</u></u>	<u><u>1,433,480</u></u>

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

Denmark subsidiary is subject to Denmark Corporation Tax at 22% for the reporting year (2015: 23.5%).

The tax expense for the year can be reconciled to the (loss) profit before tax as per follows:

	2016 HK\$	2015 HK\$
(Loss) profit before tax	(93,350,071)	38,072,633
Tax at Hong Kong Profits Tax of 16.5%	(15,402,762)	6,281,984
Tax effect of income not taxable for tax purposes	(208)	(5,979,999)
Tax effect of expenses not deductible for tax purposes	10,720,385	556,035
Tax effect on tax losses not recognised	8,163,850	919,291
Over provision in prior years	(2)	(30,000)
Tax effect of tax relief	(20,000)	(40,000)
Effect of different tax rates of group entities operating in other jurisdictions	(2,369,562)	(273,831)
Income tax expense for the year	<u><u>1,091,701</u></u>	<u><u>1,433,480</u></u>

## 7. DIVIDENDS

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Interim, paid — HK nil cent (2015: HK0.26 cent) per share	—	5,257,543
Final dividend paid — HK0.12 cent per share for 2015 (2015: HK0.3 cent per share for 2014)	<u>2,430,073</u>	<u>4,955,328</u>
	<u><b>2,430,073</b></u>	<u><b>10,212,871</b></u>

The Board of Directors does not recommend the payment of any final dividend for the year ended 31 March 2016 (2015: HK0.12 cent per share).

## 8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company is based on the loss attributable to owners of the Company for the year ended 31 March 2016 of HK\$94,441,772 (2015: profit of HK\$36,639,153) and the following data:

	2016	2015
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>2,928,478,241</b>	2,392,494,241
Effect of dilutive potential ordinary shares:		
Share options	—	39,372,514
Warrants	—	41,061,247
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u><b>2,928,478,241</b></u>	<u><b>2,472,928,002</b></u>

### Diluted loss per share

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

## 9. BIOLOGICAL ASSETS

Movements of the biological assets are as follows:

	<b>Non-mated females</b> <i>HK\$</i>	<b>Mated females</b> <i>HK\$</i>	<b>Males for breeding</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
At 1 April 2014	59,230	13,888,590	61,947	14,009,767
Increase due to purchase	—	7,756,980	2,416,313	10,173,293
Increase due to raising (Feeding cost and others)	15,235	8,436,867	4,735,587	13,187,689
Change in fair value less costs to sell	—	4,773,109	11,251,818	16,024,927
Transferred to inventory	(69,909)	(12,211,529)	(18,123,706)	(30,405,144)
Exchange alignment	(4,556)	(4,419,119)	(57,132)	(4,480,807)
At 31 March 2015 and 1 April 2015	—	18,224,898	284,827	18,509,725
Increase due to purchase	—	20,315,008	10,460,146	30,775,154
Increase due to raising (Feeding cost and others)	—	18,031,699	12,816,294	30,847,993
Change in fair value less costs to sell	—	2,506,767	24,307,587	26,814,354
Decrease due to sales	—	(77,662)	—	(77,662)
Transferred to inventory	—	(31,038,706)	(47,621,566)	(78,660,272)
Exchange alignment	—	1,259,375	14,889	1,274,264
At 31 March 2016	—	29,221,379	262,177	29,483,556

The number of biological assets is as follows:

	<b>2016</b>	2015
Mated females	<b>49,654</b>	27,242
Males for breeding	<b>405</b>	393
At the end of the year	<b>50,059</b>	27,635

Analysed for reporting purposes as follows:

	<b>2016</b> <b>HK\$</b>	2015 <i>HK\$</i>
Current assets	<b>29,483,556</b>	18,509,725
Non-current assets	—	—
	<hr/>	<hr/>
At the end of the year	<b><u>29,483,556</u></b>	<u>18,509,725</u>

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

The fair value of the biological assets is measured at the reporting date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The biological assets of the Group were classified as level 3 under the fair value hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

#### **The qualification of Valuer**

The Group's biological assets were independently valued by Peak Vision Appraisals Limited ("Valuer") as at 31 March 2016 (the "Valuation Date"). The professional valuers in charge of this valuation have appropriate qualifications and relevant experience in various appraisal assignments involving biological assets and agricultural produce. The professional valuers involved in this valuation include a professional member of the Royal Institution of Chartered Surveyors (MRICS) and of the Hong Kong Institute of Surveyors (MHKIS) and have appraisal experience in a broad range of assets such as property assets, industrial assets, biological assets, mining rights and assets, technological assets and financial assets in the PRC, Hong Kong, Europe and abroad. They have previously participated in the valuation of biological assets and agricultural produce such as hogs, vegetables, fruits, grains and landscaping plants.

As stated in the RICS Valuation — Professional Standards January 2014 issued by the Royal Institution of Chartered Surveyors and The Hong Kong Valuation Standards 2012 Edition issued by the Hong Kong Institute of Surveyors, valuations undertaken for inclusion in a financial statement shall be provided to meet the requirements of the Hong Kong Accounting Standards, including HKAS 41 Agriculture.

Based on the above qualification and various experiences of the Valuer and/or its members in providing biological asset valuation services to various companies listed on the Stock Exchange, which engage in the husbandry and agriculture industry, the directors are of the view that the Valuer is competent to determine the fair value of our Group's biological assets.

## Valuation methodology of biological assets

In the process of valuing the biological assets, the Valuer has taken into consideration the nature and specialty of the biological assets and considered that combination of the market approach and income approach would be appropriate and reasonable in the valuation of the fair value less costs to sell of the biological assets by making reference to the requirement of HKAS 41.

### *Valuation of mated females*

In the valuation of mated females, under the condition of absence of market determined price in the market, the Valuer applied the income approach to determine the present value of expected net cash flows. The cash flows are determined based on the estimated costs for raising kits, unit pelting and the estimated price for skins after pelting.

### *Valuation of males*

In the valuation of males for breeding, the Valuer applied the market approach by referring to the average market price of skins less incremental costs for pelting and selling.

### *Prices and costs of the Biological Assets*

Based on the February 2016 auctions of Copenhagen Fur, the average prices for male, female and total furs were DKK257\*, DKK164 and DKK210 per unit respectively. Pelting and sales fee reflect incremental costs to sell for livestock and are deducted from the assessed fair value. Estimation of costs per unit provided by the management are presented below:

	<i>DKK</i>
Feed	121
Salary	109
Other variable cost ( <i>Note 1</i> )	10
Lower value of male breeders ( <i>Note 2</i> )	30
Pelting	30
Sales fee	9
Surplus from Copenhagen Fur ( <i>Note 3</i> )	3%

*Note 1:* Other variable cost includes vaccination and veterinary fees.

*Note 2:* For mated females, using a male mink for breeding lowers the skin value of the males used as breeders.

*Note 3:* Surplus from Copenhagen Fur is received by farmers from the auction body.

\*: DKK stands for Danish Kroner

### *Major inputs*

The major inputs for the above models are discount rate, average skins price and birth rate. The discount rate applied for the valuation as at the Valuation Date is 13.04%. The average skins price applied for mated females and males are approximately DKK350 and DKK580 respectively. The birth rate applied for mated females is 6.

### **Valuation assumptions**

In addition, the following principal assumptions have been adopted by the Valuer:

- (a) The biological assets are properly managed with necessary care and are receiving proper veterinary care to ensure their normal growth;
- (b) There will be no force majeure, including natural disasters that could adversely impact the condition of the biological assets;
- (c) The biological assets are free from any diseases such that will lead to death or materially impair the expected economic benefit from the disposal of the biological assets;
- (d) The biological assets are assumed to be free from any liabilities or encumbrances that would affect their value;
- (e) For the business enterprise to continue as a going concern, the business enterprise will successfully carry out all necessary activities for the development of its business;
- (f) Market trends and conditions where the business enterprise operates will not deviate significantly from the economic forecasts in general;
- (g) The availability of finance will not be a constraint on the forecast growth of the biological assets;
- (h) Key management, competent personnel and technical staff will all be retained to support the ongoing operations of the business enterprise;
- (i) There will be no material changes in the business enterprise's business strategy and its operating structure;
- (j) The business enterprise shall have uninterrupted rights to operate its existing business during the unexpired term of its authorized operating period;
- (k) Interest rates and exchange rates in the localities for the operation of the business enterprise will not differ materially from those presently prevailing;

- (l) All relevant approvals, business certificates, licences or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate will be officially obtained and renewable upon expiry unless otherwise stated; and
- (m) There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the business enterprise operates or intends to operate, which would adversely affect the revenues and profits attributable to the business enterprise upon the disposal of the biological assets.

### Sensitivity analysis

Change in the discount rate applied resulted in significant fluctuations in the change in fair value of biological assets. The following table illustrates the sensitivity of the Group net change in fair value of biological assets to increase or decrease by 5% in the discount rate applied by the Valuer for the year ended 31 March 2016.

	<b>+5%</b> <b>DKK</b>	<b>Base case</b> <b>DKK</b>	<b>+5%</b> <b>HK\$</b>	<b>Base case</b> <b>HK\$</b>
Net change in fair value less costs to sell	<u>(1,489,620)</u>	<u>25,049,750</u>	<u>(1,753,283)</u>	<u>29,483,556</u>
	<b>-5%</b> <b>DKK</b>	<b>Base case</b> <b>DKK</b>	<b>-5%</b> <b>HK\$</b>	<b>Base case</b> <b>HK\$</b>
Net change in fair value less costs to sell	<u>1,489,620</u>	<u>25,049,750</u>	<u>1,753,283</u>	<u>29,483,556</u>

Change in the average skins price applied resulted in significant fluctuations in the change in fair value of biological assets. The following table illustrates the sensitivity of the Group net change in fair value of biological assets to increase or decrease by 5% in the average skins price applied by the Valuer for the year ended 31 March 2016.

	<b>+/-5%</b> <b>DKK</b>	<b>Base case</b> <b>DKK</b>	<b>+/-5%</b> <b>HK\$</b>	<b>Base case</b> <b>HK\$</b>
Net change in fair value less costs to sell	<u>+/-6,963,710</u>	<u>25,049,750</u>	<u>+/-8,196,287</u>	<u>29,483,556</u>

Change in the birth rate applied resulted in significant fluctuations in the change in fair value of biological assets. The following table illustrates the sensitivity of the Group net change in fair value of biological assets to increase to 7 or decrease to 5 in the birth rate applied by the Valuer for the year ended 31 March 2016.

	<b>Increase to 7 DKK</b>	<b>Base case DKK</b>	<b>Increase to 7 HK\$</b>	<b>Base case HK\$</b>
Net change in fair value less costs to sell	<u>4,965,400</u>	<u>25,049,750</u>	<u>5,844,276</u>	<u>29,483,556</u>
	<b>Decrease to 5 DKK</b>	<b>Base case DKK</b>	<b>Decrease to 5 HK\$</b>	<b>Base case HK\$</b>
Net change in fair value less costs to sell	<u>(4,965,400)</u>	<u>25,049,750</u>	<u>(5,844,276)</u>	<u>29,483,556</u>

#### 10. TRADE AND OTHER RECEIVABLES

	<b>2016 HK\$</b>	<b>2015 HK\$</b>
Trade receivables	<b>15,852,059</b>	59,075,185
Commission receivables	<b>393,044</b>	2,954,232
Less: impairment losses on trade receivables	<u>—</u>	<u>—</u>
	<b>16,245,103</b>	62,029,417
Other receivables:		
Deposit in auction houses	<b>8,426,886</b>	2,824,688
Feed deposit	<b>1,186,922</b>	333,349
Prepayment	<b>1,506,747</b>	1,341,943
Rental deposit	<b>196,475</b>	153,275
Utilities deposit	<b>26,000</b>	33,600
Others	<b>121,569</b>	35,011
	<u><b>27,709,702</b></u>	<u>66,751,283</u>



The Group allows a credit period ranging from 0 day to 120 days. The aging analysis of the Group's trade receivables, net of allowance for doubtful debts based on invoice date as at 31 March 2016 and 2015 are as follows:

	<b>2016</b> <b>HK\$</b>	2015 <i>HK\$</i>
0-60 days	<b>4,586,335</b>	40,596,172
61-90 days	<b>2,205,171</b>	19,929,582
91-120 days	<b>6,454,500</b>	966,598
Over 120 days	<b>2,999,097</b>	537,065
	<hr/> <b>16,245,103</b> <hr/>	<hr/> 62,029,417 <hr/>

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

As at 2 June 2016, approximately HK\$7,742,000 of trade receivables had been settled.

Trade receivables disclosed above include amounts which are past due at 31 March 2016 and 2015 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.

The following is an aging analysis of the Group's trade receivables that are past due but not impaired at 31 March 2016 and 2015.

	<b>2016</b> <b>HK\$</b>	2015 <i>HK\$</i>
Trade receivables overdue by:		
0-60 days	<b>1,818,222</b>	487,045
61-90 days	—	—
91-120 days	<b>1,180,875</b>	—
Over 120 days	—	50,020
	<hr/> <b>2,999,097</b> <hr/>	<hr/> 537,065 <hr/>

## 11. LOAN RECEIVABLES

	2016 HK\$	2015 HK\$
Loans to customers	105,082,631	89,496,983
Accrued interest receivables	3,013,929	4,754,787
	<hr/>	<hr/>
	108,096,560	94,251,770
Less: allowance for bad and doubtful debts	(1,050,549)	—
	<hr/>	<hr/>
	<b>107,046,011</b>	<b>94,251,770</b>
	<hr/> <hr/>	<hr/> <hr/>

The Group offered a credit period of 180 days for the loans to its customers with the range of interest rate from 4.8% to 12% per annum. The Group maintains strict control over its outstanding loans to minimise credit risk. Overdue balance is reviewed regularly by management. Allowances for bad and doubtful debts are recognised against loans receivables that was overdue based on estimated irrecoverable amount at the end of the reporting period.

The following is an aging analysis of the Group's loan receivables by age, presented based on the advancement and net of allowance for bad and doubtful debts at 31 March 2016 and 2015:

	2016 HK\$	2015 HK\$
0-60 days	20,634,319	45,981,011
61-90 days	4,290,000	—
91-180 days	59,147,326	17,093,367
Over 180 days	19,960,437	26,422,605
	<hr/>	<hr/>
	<b>104,032,082</b>	<b>89,496,983</b>
	<hr/> <hr/>	<hr/> <hr/>

The directors consider that the carrying amounts of loan receivables approximate to their fair values.

As at 2 June 2016, approximately HK\$33,111,000 of loan receivables had been settled.

Loan receivables disclosed above include amounts which are past due at the end of reporting period for which the Group has not recognised an allowance for bad and doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The repayment of the loan receivables were secured by lien over the fur skins purchased by such loans.

The following is an aging analysis of the Group's loan receivables that are past due but not impaired at 31 March 2016 and 2015.

	<b>2016</b> <b>HK\$</b>	2015 <i>HK\$</i>
Overdue by:		
0-60 days	<b>839,820</b>	24,664,868
61-90 days	<b>4,892,482</b>	—
91-180 days	<b>14,228,135</b>	1,757,737
	<u><b>19,960,437</b></u>	<u>26,422,605</u>

The following is the movement in allowance for bad and doubtful debts for the year ended 31 March 2016 and 2015.

	<b>2016</b> <b>HK\$</b>	2015 <i>HK\$</i>
Balance at beginning of the year	—	—
Provision for the year	<b>1,050,549</b>	—
Balance at end of the year	<u><b>1,050,549</b></u>	<u>—</u>

The following is an aging analysis of the Group's loans receivables that are past due and impaired at 31 March 2016 and 2015.

	<b>2016</b> <b>HK\$</b>	2015 <i>HK\$</i>
Overdue by:		
0-60 days	<b>44,201</b>	—
61-90 days	<b>257,499</b>	—
91-180 days	<b>748,849</b>	—
	<u><b>1,050,549</b></u>	<u>—</u>

## 12. TRADE AND OTHER PAYABLES

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Trade payables	5,255,347	34,904,254
Other payables:		
Accruals	1,840,859	4,684,498
Accrued audit fee	700,000	700,000
Accrued auction interest	389,406	1,890,066
Accrued bond interest	779,165	229,165
Accrued rental expenses	1,590	16,050
Accrued wages and pension	619,102	595,000
Rental deposit	32,956	26,091
Accrued payment for farm acquisition	22,669,020	—
Value-added tax payable	2,143,391	—
Other operating expenses payables	2,590,580	910,828
Receipt in advance	—	15,903,157
	<u>37,021,416</u>	<u>59,859,109</u>

The Group normally settles the outstanding trade payables within 21 days of the credit term. Based on the invoice date, aging analysis of trade payables as at 31 March 2016 and 2015 are as follows.

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
0-60 days	1,491,190	—
61-90 days	—	4,711,246
91-120 days	—	—
Over 120 days	3,764,157	30,193,008
	<u>5,255,347</u>	<u>34,904,254</u>

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

### 13. SHARE CAPITAL

	<i>Notes</i>	<b>Number of ordinary shares of HK\$0.01 each</b>	<i>HK\$</i>
<b>Authorised:</b>			
At 1 April 2014 and 1 April 2015		2,500,000,000	25,000,000
Increase in authorised share capital	(a)	7,500,000,000	75,000,000
		<hr/>	<hr/>
At 31 March 2016		10,000,000,000	100,000,000
		<hr/> <hr/>	<hr/> <hr/>
<b>Issued and fully paid:</b>			
At 1 April 2014		1,651,776,000	16,517,760
Issue of share upon bonus issue		330,355,200	3,303,552
Exercise of Pre-IPO share options		2,960,800	29,608
Issue of shares upon exercise of warrants		50,000,000	500,000
Shares buyback		(28,790,000)	(287,900)
		<hr/>	<hr/>
At 31 March 2015 and 1 April 2015		2,006,302,000	20,063,020
Issue of shares upon bonus issue	(b)	405,012,400	4,050,124
Exercise of Pre-IPO share options	(c)	3,760,000	37,600
Issue of shares upon exercise of warrants	(d)	15,000,000	150,000
Issue of shares by top-up placing	(e)	405,000,000	4,050,000
		<hr/>	<hr/>
At 31 March 2016		2,835,074,400	28,350,744
		<hr/> <hr/>	<hr/> <hr/>

During the year ended 31 March 2016, the movements in the Company's share capital are as follows:

- (a) Pursuant to the annual general meeting held on 24 July 2015, increase in authorised share capital of the Company from HK\$25,000,000 divided into 2,500,000,000 ordinary shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 ordinary shares of HK\$0.01 was approved.
- (b) The Board proposed a bonus issue on the basis of one bonus share for every five existing shares held by the members whose names were on the register of members of the Company on 31 July 2015 (the "Bonus Issue"). The proposed Bonus Issue was approved by the members at the annual general meeting of the Company held on 24 July 2015. A total of 405,012,400 bonus shares of HK\$0.01 each were issued by way of the Bonus Issue on 31 July 2015.

- (c) During the year, 3,760,000 new ordinary shares of HK\$0.01 each were issued on exercise of 3,760,000 share options (“Pre-IPO Share Options”) under the Pre-IPO Share Option Scheme of the Company (the “Pre-IPO Share Option Scheme”) at an aggregate consideration of HK\$680,560 of which HK\$37,600 was credited to share capital and the remaining balance of HK\$642,960 was credited to the share premium account. In addition, an amount attributable to the related Pre-IPO Share Options of HK\$214,121 has been transferred from share option reserve to share premium account.
- (d) During the year, 15,000,000 ordinary shares of HK\$0.01 each were allotted and issued on exercise of 15,000,000 warrants at subscription price of HK\$0.199 each, and an aggregate consideration HK\$2,985,000 was received by the Company.
- (e) During the year, 405,000,000 new ordinary shares were issued at HK\$0.201 per share by top-up placing and an aggregate amount of HK\$81,405,000 was received by the Company.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The fur industry experienced a very difficult time during the period under review. In January 2016, Copenhagen Fur (“KF”), one of the major auction houses in Denmark, kicked off the first mink auction of this season by offering much lower quantity of fur skins than that of last year. However, the fur skin price still dropped by an average of 20% compared to that recorded in the September 2015 auctions, and representing a cumulative decrease of around 50% comparing to the average fur skin price in 2015. The fur skin price showed no sign of revival in the February and March auctions held by the 4 biggest auction houses, namely North American Fur Auctions, KF, Saga Furs and American Legend Cooperative, with the average fur skin price hitting below the farming cost.

Such collapse in fur skin price was on a par with the market collapse in 1998 during the Russian financial crisis and was rare over the last 35 years. The recent drop in fur skin price is mainly caused by the oversupply of poor quality mink skins produced in China, Eastern Europe and Greece, as well as the weaker consumer sentiment in China during the winter season and in Russia as a result of the plunge in oil price.

However, since the fur skin price is now lower than the farming cost, it is expected that most fur farmers will cut down their production scale next year. In particular, the Chinese and Greek mink farmers who produce lower quality fur skins have cut down well over half of their production in order to minimise their loss. As a result, with a lower fur skin supply, we expect the fur skin price to recover in auctions to be held next year.

### **FUR SKIN TRADING**

Since the great plunge in fur skin price was unprecedented, most of the fur skin dealers including the Group experienced cash flow pressure and suffered a significant loss in trading of fur skins. It was unavoidable for the Group to substantially mark down the selling price of its fur skins with reference to the prevailing market price to lower our inventory level. This has adversely affected the performance of the fur skin trading business of the Group, resulting in an operating loss for the year ended 31 March 2016.

## **FUR SKIN BROKERAGE AND FINANCING**

The commission and financing interest income of Loyal Speed Limited (“Loyal Speed”), an indirect wholly-owned subsidiary of the Company engaging in fur skin brokerage and financing, have also suffered because of the drop in fur skin price in the second half of the financial year, and customers’ decreased spending in view of the weak market sentiment. Even though Loyal Speed has managed to make a small profit during the financial year under review, it is faced with cash flow pressure as some of its customers were still bargaining for a big discount on the fur skins purchased from the auctions which are held by Loyal Speed as collaterals for the outstanding purchase price owed by the customers to Loyal Speed.

## **MINK FARMING**

Since the Group has acquired 7 additional mink farms during the period under review, the Group incurred significant acquisition costs and maintenance costs for the year ended 31 March 2016. Affected by the drop of fur skin price below the farming cost, the revenue generated from our mink farms fall short of covering the increased expenses, as such the Group’s mink farming business has also recorded an operating loss for the year ended 31 March 2016.

## **PROSPECT**

As the fur industry is going through a recovery period, the Group will adopt a more conservative approach in conducting its fur skin trading business, because the market has yet digested the excess supply of fur skins produced last year. Our fur skin brokerage and finance business is expected to be difficult as the Group’s commission income will be adversely affected by the extremely low fur skin price, and more importantly, amid the intense price competition, other fur skin brokers has reduced their brokerage fee by half in order to fight for customers. In addition, the Group is still negotiating with its customers on discounting of last year’s collateral skins so that they will fully settle the purchase price of those skins as soon as possible.

Even though the current fur skin price is still below the farming cost, with an expected decrease in supply of fur skins next year, the fur skin price is expected to recover. Further, as the high quality Danish fur skins produced by the Group’s mink farms are still favoured by the fashion industry and top designer brands, the Group is optimistic that its mink farming business will show a turn from loss to profit upon recovery of the fur skin price.

In view of the current market condition, it is estimated that the fur industry may still need 1 or 2 years to recover, thus it is vital for the Group to explore other business opportunities to generate additional income in the meantime. In this connection, the Company is pleased to announce that one of its wholly-owned subsidiary, UKF Finance Limited, has recently obtained a money lender’s



licence under Money Lenders Ordinance (Cap 163 Laws of Hong Kong) to conduct money lending business with a view to diversifying its business into the financial services industry, in order to broaden revenue sources of the Group and provide returns for the shareholders. The Group will continue to seek for opportunities for diversification that will benefit the Group's long-term development and maximize shareholder value.

## **FINANCIAL REVIEW**

### **Revenue**

The consolidated audited revenue of the Group for the year ended 31 March 2016 was approximately HK\$219.7 million, representing a decrease of approximately 27.14% from approximately HK\$301.6 million for the year ended 31 March 2015. The decrease in the revenue was mainly attributable to a substantial drop of approximately 50% (compared to the figures in 2015) in average fur skin price recorded in the first round of auctions held at 4 major auction houses during the season, namely North American Fur Auctions in Canada, Copenhagen Fur in Denmark, Saga Furs in Finland and American Legend Cooperative in the United States of America, resulting in (i) the reduction in commission income and financing interest income of the Group's fur skins brokerage and financing business, and (ii) reduction in average selling price of fur skin for both fur skin trading and mink farming business of the Group. The substantial drop in average fur skin price is also expected to stymie the fur skin production in 2016 which may reduce the volume of fur trading and in turn affect the performance of Group's fur trading and fur skins brokerage and financing business in 2016.

### **Cost of sales**

The cost of sales of the Group amounted to approximately HK\$236.7 million for the year ended 31 March 2016, representing an increase of approximately 8.56% from approximately HK\$218.0 million for the year ended 31 March 2015. The increase in the cost of sales was mainly attributable to the expanded scale of operation as a result of the acquisition of seven mink farms during the year ended 31 March 2016 as compared with that for the year ended 31 March 2015 and high purchase and production cost incurred before the drop in fur skin price in second half of the financial year.

### **Gross profit and gross profit margin**

The Group recorded a loss of approximately HK\$16.9 million for the year ended 31 March 2016, compared with the gross profit of approximately HK\$83.6 million for the year ended 31 March 2015. The decrease in gross profit was primarily due to substantial drop in average fur skin price in auction.

### **Write-down of inventories**

Given the fur skin price was still on the way for recovery, the carrying amount of inventories was written down by approximately HK\$5.8 million to the net realisable value.

### **Impairment of goodwill**

Suffering from drop in fur skin price and decreasing in customer's spending, the management of the Group estimated the future performance of fur skins brokerage segments would be affected through the recovery period of 1 to 2 years. In view of above, the Group recognised an impairment loss of HK\$37,575,889 for the year ended 31 March 2016.

### **Administrative expenses**

The administrative expenses of the Group significantly increased by approximately 15.01% from approximately HK\$55.5 million for the year ended 31 March 2015 to approximately HK\$63.8 million for the year ended 31 March 2016. The increase in the administrative expenses was primarily due to the expanded scale of operation as a result of the acquisition of seven mink farms during the year under review.

### **Finance costs**

The finance costs of the Group decreased by approximately 23.59% from approximately HK\$7.4 million for the year ended 31 March 2015 to approximately HK\$5.7 million for the year ended 31 March 2016. The decrease was primarily due to the inclusion of auction interest in previous year but there was a net over provision of auction interest recorded in other income for the year ended 31 March 2016.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group mainly finances its operations with internally generated cash flow, bank borrowings and corporate bond. The Group maintained bank balances and cash of approximately HK\$66.1 million as at 31 March 2016 (2015: approximately HK\$136.7 million) in Hong Kong dollars ("HK\$") and United States dollars ("US\$"). The net assets of the Group as at 31 March 2016 were approximately HK\$286.1 million (2015: approximately HK\$300.8 million).

During the year under review, the Company raised funds from the issuance of 405,000,000 new Shares through the top-up placing and top-up subscription described below:

- (a) On 14 August 2015, the Company entered into a top-up placing agreement and top-up subscription agreement with Supreme China Securities Limited (“Placing Agent”) and Trader Global Investments Limited (“Vendor”), a substantial shareholder wholly owned by Mr. Wong Chun Chau, an executive Director and the Chairman of the Company, where the Vendor agreed to place, through the Placing Agent, on a best effort basis, a maximum of 405,000,000 existing Shares (“Top-up Placing Shares”), to the placee(s) at a price of HK\$0.2 per Top-up Placing Share (“Top-up Placing”) and the Vendor has conditionally agreed to subscribe for such number of new shares (“Top-up Subscription Shares”) equal to the number of Top-up Placing Shares which will actually be placed under the Top-up Placing at a price of HK\$0.2 per Top-up Subscription Share (“Top-up Subscription”).
- (b) On 17 August 2015, the Vendor, the Placing Agent and the Company signed a confirmation (the “Confirmation”) to change the top-up placing price and the top-up subscription price from HK\$0.2 per Top-up Placing Share and HK\$0.2 per Top-up Subscription Share respectively to HK\$0.201 per Top-up Placing Share and HK\$0.201 per Top-up Subscription Share.
- (c) Completion of the Top-up Placing and Top-up Subscription took place on 27 August 2015. The net proceeds raised were approximately HK\$77.2 million and had been applied in accordance with the intended use — approximately HK\$65.9 million had been applied as to the acquisition of a new mink farm by the Group in Denmark and the remainder as general working capital for its principal activities.

As at 31 March 2016, the Group had bank borrowings, which represented trust receipt loans and term loans of approximately HK\$59.5 million and approximately HK\$71.4 million respectively to finance its purchases of fur skins and general working capital (2015: HK\$101.7 million and HK\$43.5 million respectively). The Group did not have any fixed interest rate borrowings and all of bank borrowings were held in HK\$ and US\$ and Danish Krone (“DKK”). The Group has obtained various banking facilities of up to HK\$280 million with different covenants such as (i) corporate guarantees provided by the Company, (ii) charge over fixed assets, inventories and biological assets and/or (iii) the requirements that the net external gearing ratio shall not be more than 150% and the tangible net worth of the Group shall grow by at least HK\$15 million annually. The net external gearing ratio, representing the ratio of total interest bearing borrowings to the net assets of the Group, was about 49.6% as at 31 March 2016 (2015: about 51.7%). As at 2 June 2016, approximately HK\$19,036,000 of bank borrowings had been settled.

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

During the year, apart from the foreign currency forward contracts engaged in previous year, the Group had not engaged in any financial instruments for hedging or speculative activities.

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

## **CHARGE OF ASSETS**

As at 31 March 2016, the Group charged the key management insurance contract which is classified as an available-for-sale investment of approximately HK\$10 million, property, plant and equipment, biological assets and inventories of approximately DKK104,403,000 (approximately HK\$122,882,000) for bank borrowings (2015: HK\$10 million for banking borrowings). In addition, the Group pledged land and building of approximately DKK26,471,000 (approximately HK\$31,157,000) to secure debts to the Group.

## **CAPITAL COMMITMENTS**

As at 31 March 2016, the Group did not have any significant capital commitments (2015: Nil).

## **MATERIAL ACQUISITIONS OR DISPOSALS AND SIGNIFICANT INVESTMENTS**

During the year ended 31 March 2016, the Group had no material acquisitions or disposals of subsidiaries or associated companies and significant investments.

## **EMPLOYEE INFORMATION**

As at 31 March 2016, the Group had a total of 59 staff members including Directors (2015: 28). Staff costs including Director's remuneration amounted to approximately HK\$25.7 million for the year ended 31 March 2016 (2015: approximately HK\$14.6 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 with reference to the financial performance of the Group of the preceding financial year. Other benefits include

contributions to statutory mandatory provident fund scheme to its employees in Hong Kong, and options that were granted or may be granted under the pre-IPO share option scheme (“Pre-IPO Share Option Scheme”) and the share option scheme of the Company (the “Share Option Scheme”, together with the Pre-IPO Share Option Scheme, the “Share Option Schemes”) both of which were approved by the then sole Shareholder on 1 August 2012.

## **RISK MANAGEMENT**

### **Credit Risk**

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

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

### **Liquidity risk**

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

### **Foreign currency risk**

The Group carries out its business in Hong Kong and worldwide and most of the transactions are denominated in US\$ and DKK. The sales and purchases transactions of the Group are exposed to the foreign currency risk.

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure of foreign currency risk. The Group may enter into foreign currency forward contracts to mitigate the exposure to foreign currency risk due to the operation of the overseas subsidiary in Denmark. Apart from the foreign currency forward contracts, 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, the Group has certain investments in foreign operations in Denmark, whose net assets are exposed to foreign currency risk. The impact of exchange rate fluctuations on the net assets of the Group's foreign operations is considered to be manageable as such impact will be offset by borrowings denominated in DKK.

## ADVANCES TO THE ENTITIES

Pursuant to the Rules 13.13 and 13.15 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), a disclosure obligation arises where the relevant advance to the entities from the Group exceeds 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules. As at 31 March 2016, Loyal Speed, an indirect wholly owned subsidiary of the Company, has advanced loans to two fur brokerage customers, namely Fur Supply (China) Limited (the "FSC Loans") and Modern Fur Company Limited (the "MF Loans") to finance their purchase of fur skins from the auction houses and the amounts due to the Group from the above customers exceeded 8% of the total assets of the Group (approximately HK\$471.1 million).

The table below sets out the details of the FSC Loans and MF Loans as at 31 March 2016:

	<b>FSC Loans</b>	<b>MF Loans</b>
Amount due to the Group	HK\$74,250,105	HK\$30,832,526
Credit Term	180 days	180 days
Interest Rate	0.8% per month if the repayment is made by 30 September 2015;	0.8% per month if the repayment is made by 30 September 2015;
	0.4% per month if the repayment is made after 30 September 2015	0.4% per month if the repayment is made after 30 September 2015
Collateral	The fur skins purchased with the relevant part of the FSC Loan	The fur skins purchased with the relevant part of the MF Loan

As at 2 June 2016, approximately HK\$33,110,000 of both FSC Loans and MF Loans had been settled.

## **FINAL DIVIDEND**

The Directors do not recommend any final dividend for the year ended 31 March 2016.

## **CORPORATE GOVERNANCE**

The Company has fully complied with the required code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “Code”) contained in Appendix 14 of the Listing Rules for the year ended 31 March 2016 with the following exceptions:

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

Due to other pre-arranged commitments which must be attended, Mr. Tang Tat Chi, being independent non-executive Director, was not present at the annual general meeting of the Company held on 24 July 2015.

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

Although the company secretary of the Company, Mr. Chan Siu Lun, is not an employee of the Company, the Company has assigned Ms. Kwok Yin Ning, the Chief Executive Officer and an executive Director, as the contact person with Mr. Chan. Information in relation to the performance, financial position and other major developments and affairs of the Group are speedily delivered to Mr. Chan through the contact person assigned. Having in place a mechanism that Mr. Chan will get hold of the Group's development promptly without material delay and with his expertise and experience, the Board is confident that having Mr. Chan as the company secretary is beneficial to the Group’s compliance with the relevant board procedures, applicable laws, rules and regulations.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

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



## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

During the year, the Group adopted the code of conduct for securities transactions by Directors (“Securities Dealings Code”) on terms no less exacting than that set out in Appendix 10 of the Listing Rules. Upon the Group’s specific enquiry, all Directors confirmed that during the year ended 31 March 2016, they had fully complied with the Securities Dealings Code.

## **REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE**

The Company established an audit committee (the “Audit Committee”) which comprises all 3 independent non-executive Directors, namely, Ms. Mak Yun Chu, Mr. Tang Tat Chi and Mr. Jean-pierre Philippe, with Ms. Mak Yun Chu being the chairman of the committee.

The Group’s annual results for the year ended 31 March 2016 have been reviewed by the Audit Committee. The Audit Committee is of opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

## **SCOPE OF WORK OF HLM CPA LIMITED**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2016 as set out in this announcement have been agreed by the Group’s auditors, HLM CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by HLM CPA Limited in this respect did not constitute any assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLM CPA Limited in this announcement.

On behalf of the Board  
**UKF (Holdings) Limited**  
**Wong Chun Chau**  
*Chairman*

Hong Kong, 28 June 2016



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

*Executive Directors:*

Mr. Wong Chun Chau (*Chairman*)

Ms. Kwok Yin Ning

*Independent Non-executive Directors:*

Ms. Mak Yun Chu

Mr. Tang Tat Chi

Mr. Jean-pierre Philippe