# UKF (HOLDINGS) LIMITED
# 英裘（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1468

Annual Report 2016

# Contents

# CORPORATE INFORMATION

## Board of Directors

### Executive Directors

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

### Independent Non-executive Directors

Ms. Mak Yun Chu
Mr. Jean-pierre Philippe
Mr. Tang Tat Chi

## Company Secretary

Mr. Chan Siu Lun

## Audit Committee

Ms. Mak Yun Chu *(Chairperson)*
Mr. Jean-pierre Philippe
Mr. Tang Tat Chi

## Remuneration Committee

Mr. Jean-pierre Philippe *(Chairperson)*
Ms. Mak Yun Chu
Mr. Tang Tat Chi

## Nomination Committee

Mr. Tang Tat Chi *(Chairperson)*
Ms. Mak Yun Chu
Mr. Jean-pierre Philippe
Mr. Wong Chun Chau

## Authorised Representatives

Mr. Wong Chun Chau
Ms. Kwok Yin Ning

## Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
CTBC Bank Co. Limited
Nanyang Commercial Bank, Limited
DBS Bank (Hong Kong) 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
Level 22, Hopewell Centre,
183 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

1468

## Listing Dates

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

# CHAIRMAN'S STATEMENT

## Business Review

The fur industry experienced a very difficult time during the period under review. In January 2016, Kopenhagen Fur ("KF"), one of the major auction houses in Denmark, kicked off the first mink auction of this season by offering a 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 auction, 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 experienced a decline in profit 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.

# CHAIRMAN'S STATEMENT

## 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.

**Wong Chun Chau**
*Chairman*
Hong Kong, 28 June 2016

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 figure 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, Kopenhagen 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 at operation as a result of the acquisition of seven mink farms for 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.

### 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$37.6 million for the year ended 31 March 2016.

### 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.

### 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 at 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 of the Company, which is 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 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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$43.5 million respectively). All of bank borrowings were held in HK$, US$ and Danish Krone ("DKK"). The Group has obtained various banking facilities of up to HK$280 million (2015: HK$181 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 to foreign currency risk. The management of the Group implemented foreign currency forward contracts to hedge the exposure to foreign currency risk during the year. Apart from the aforementioned foreign currency contracts, the management of the Group did not consider it is necessary to use foreign currency hedging policy 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 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 Limited, 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:

| | **FSC Loans** | **MF Loans** |
|---|---|---|
| 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.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## Executive Directors

**Mr. WONG Chun Chau (黃振宙)**, aged 59, was appointed as an executive Director on 31 March 2011 and was designated as the Chairman of the Company on 1 August 2012 and a member of the nomination committee of the Company.

Mr. Wong has also been a director of U.K. Fur Limited since 2009, Trade Region Limited since 2011, UKF Finance Limited since 2012, Loyal Speed Limited and UKF (Denmark) A/S since 2013. Mr. Wong has more than 30 years' experience in the field of fur skin trading and management. Mr. Wong 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 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. Mr. Wong is also currently the vice chairman of the International Fur Brokers Association Ltd.

**Ms. KWOK Yin Ning (郭燕寧)**, aged 60, 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 is also a director of several subsidiaries of the Company. She has been working in the fur industry for more than 30 years and has 19 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

**Ms. MAK Yun Chu (麥潤珠)**, aged 58, is a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, and has over 10 years of experience in accounting and administration. Ms. Mak has been an independent non-executive director of Heng Tai Consumables Group Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") (stock code: 197) since April 2004 and was an independent non-executive director of Wealth Glory Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange from September 2010 to November 2013 (stock code: 8269).

Ms. Chu has been an independent non-executive Director of the Company, the chairperson of the audit committee of the Company and the member of the remuneration committee and nomination committee of the Company since 15 March 2016.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. TANG Tat Chi (鄧達智)**, aged 61, became an independent non-executive Director on 1 August 2012. He is also the chairman of the nomination committee of the Company and a member of the audit committee and the remuneration committee of the Company. 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 56, became an independent non-executive Director on 1 August 2012. He is also the chairman of the remuneration committee of the Company and a member of the audit committee and the nomination committee of the Company. 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 a business of manufacturing consumer electronic products in China for distribution in Europe.

## Senior Management

**Mr. John EGGERT**, aged 63, joined the Group in July 2013 as the area general manager of the mink farms and is currently a director of UKF (Denmark) A/S, an indirect wholly-owned subsidiary of the Company. Mr. Eggert holds a degree in Farm Management from Nordic Agricultural University, Denmark. He has more than 38 years of experience in farm management and operations in Denmark, Canada, Egypt, South Africa, China, Romania, Bosnia, Ukraine and Russia. He is responsible for the Group's mink farming management and operation in Denmark.

# CORPORATE GOVERNANCE REPORT

The Company endeavours in maintaining a high standard of corporate governance for the enhancement of shareholders' value and providing transparency, accountability and independence. Save as disclosed in this annual report, 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 to the Listing Rules for the year ended 31 March 2016.

## Compliance with the Model Code for Securities Transactions by Directors

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

## 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 is accountable to shareholders. The powers and duties of management and control of the business of the Company are generally vested in its Board. It is the duty of the Board to enhance value of the Company to the shareholders. The composition of the Board and biographies of the Directors are set out on pages 10 to 11 of this annual report.

The two executive Directors are responsible for the leadership and control of the Company, overseeing 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 providing 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 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent and meet the independent guidelines set out in Rule 3.13 of the Listing Rules. Throughout the year ended 31 March 2016, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications on accounting or related financial management expertise. The number of independent non-executive Directors has represented at least one-third of the Board.

### Roles of Chairman and Chief Executive Officer

The positions 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 (including but not limited to those relating to corporate governance);

(d) business and management;

(e) key financial matters;

(f) appointment of Board members, senior management and auditor;

(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 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 annual 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 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, subject to re-election and other requirements under the Company's Articles of Association, the Code and the respective letter of appointments.

## 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.

During the year ended 31 March 2016, the Board held 4 regular Board meetings and 8 additional meetings. The Company held the annual general meeting on 24 July 2015 during the year ended 31 March 2016. The table below sets out the individual attendance record of each Director at the Board meetings and general meeting during the year:

| | Attendance/Number of meetings | | |
|---|---|---|---|
| **Name of Directors** | **Regular Board meetings** | **Additional Board meetings** | **General meetings** |
| *Executive Directors* | | | |
| Mr. Wong Chun Chau *(Chairman)* | 4/4 | 8/8 | 1/1 |
| Ms. Kwok Yin Ning | 4/4 | 8/8 | 1/1 |
| *Independent Non-executive Directors* | | | |
| Ms. Mak Yun Chu (appointed on 15 March 2016) | 0/0 | 0/0 | 0/0 |
| Mr. Lau Siu Ki (resigned on 15 March 2016) | 0/4 | 8/8 | 1/1 |
| Mr. Tang Tat Chi | 0/4 | 8/8 | 0/1 |
| Mr. Jean-pierre Philippe | 4/4 | 8/8 | 1/1 |

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

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 to by him, 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.

## Practice and Conduct of Meetings

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.

Schedules, notices and draft agenda of each meeting are normally made available to Directors in advance in accordance with Code Provision A.1.3.

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 abreast of the latest developments and financial position of the Group 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 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 and continuing development of Directors

Each Director should participate in continuous professional development to develop and refresh their skills to ensure that he has appropriate understanding of the business and operations of the Group and that he is sufficiently aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development for Directors will be arranged where necessary.

The Company has also from time to time provided the Directors with continuous update on the latest development regarding the Listing Rules and other regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

The individual training record of each Director received during the year 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* | | |
| Ms. Mak Yun Chu (appointed on 15 March 2016) | ✓ | ✓ |
| Mr. Lau Siu Ki (resigned on 15 March 2016) | ✓ | ✓ |
| Mr. Tang Tat Chi | ✓ | ✓ |
| Mr. Jean-pierre Philippe | ✓ | ✓ |

## Board Committees

The Board has set up 3 Board 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.

## Audit Committee

The Company established an audit committee (the "Audit Committee") on 1 August 2012 which comprises all 3 independent non-executive Directors. The current members are Ms. Mak Yun Chu (Chairperson), Mr. Tang Tat Chi and Mr. Jean-pierre Philippe.

The Audit Committee is governed by its written terms of reference in compliance with Code Provision C.3.3 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 year, the committee met its responsibilities in reviewing the interim and annual results for the year ended 31 March 2016 with the professional accounting firm engaged by the Group, which conducted regular internal audits and report to the committee.

During the year, 2 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 |
|---|---|
| Ms. Mak Yun Chu (Chairperson) (appointed on 15 March 2016) | 0/0 |
| Mr. Lau Siu Ki (Chairperson) (resigned on 15 March 2016) | 2/2 |
| Mr. Tang Tat Chi | 2/2 |
| Mr. Jean-pierre Philippe | 2/2 |

## Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") on 1 August 2012 which comprises 3 independent non-executive Directors. The current members are Mr. Jean-pierre Philippe (Chairperson), Ms. Mak Yun Chu and Mr. Tang Tat Chi.

The Remuneration Committee is governed by its terms of reference in compliance with Code Provision B.1.2 of the Code. The primary duties of the Remuneration Committee include the following:

(a) 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;

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

(c) evaluating the performance and exercising the delegated power of the Board to determine the remuneration packages of all executive Directors and senior management.

During the year ended 31 March 2016, the Remuneration Committee met once with presence of all the eligible members for the time being (i.e. Mr. Jean-pierre Philippe, Mr. Lau Siu Ki and Mr. Tang Tat Chi) and reviewed, determined and made recommendation (as the case may be) on the remuneration package of Directors of the Group.

## 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. The current members are Mr. Tang Tat Chi (Chairperson), Mr. Jean-pierre Philippe, Ms. Mak Yun Chu and Mr. Wong Chun Chau.

The Nomination Committee is governed by its terms of reference in compliance with Code Provision A.4.5 of the Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee include:

(a) reviewing the structure, size and diversity 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.

The Company has adopted the Board Diversity Policy which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. The Company recognises the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board. The Board has set measurable objectives (in terms of gender, skills and experience) to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

The Nomination Committee considers that the current composition of the Board is characterised by diversity after taking into account its own business model and specific needs, whether considered in terms of professional background and skills.

During the year ended 31 March 2016, the Nomination Committee met once with the presence of all members for the time being (i.e. Mr. Tang Tat Chi, Mr. Jean-pierre Philippe, Mr. Lau Siu Ki and Mr. Wong Chun Chau) and (i) reviewed and discussed the structure, size and diversity of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group and (ii) recommended on the re-election of the retiring Directors.

## Company Secretary

Mr. Chan Siu Lun was appointed as company secretary of the Company with effect from 27 November 2015 in place of Mr. Chung Man Wai, Stephen who has resigned on 27 November 2015. Although Mr. Chan is not an employee of the Company as required under Code Provision F.1.1 of the Code, the Company has assigned Ms. Kwok Yin Ning, the 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.

During the year ended 31 March 2016, the company secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

## Directors and Officers Insurance

Appropriate insurance covering on directors' and officers' liabilities has 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 and interim reports, other inside information announcements and other financial disclosures required under the 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 financial position of the Group and of its financial performance and cash flows for the year ended 31 March 2016.

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 consolidated financial statements of the Group is set out in the Independent Auditor's Report on page 37 and 38.

## Auditor's Remuneration

The remuneration paid/payable to the auditor of the Company for the year ended 31 March 2016 is set out as follows:

| **Services rendered** | **Paid/payable**<br>HK$'000 |
|---|---|
| Statutory audit services | 738 |
| Non-statutory audit services: | |
| Adjustments on share options and warrants | 78 |
| | 816 |

## Internal Controls and Corporate Governance Policies

The Board has overall responsibility for monitoring the internal control system and corporate governance 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 and developed and reviewed the corporate governance policies at least once a year to safeguard the interests of the shareholders and the assets of the Company and ensure compliance with legal and regulatory requirements by the Group. During the year, the Board has conducted a review of the effectiveness of the internal control system of the Company and reviewed the corporate governance policy documents and terms of reference of Board committees of the Company and the compliance with the legal and regulatory requirements, including the Code.

## Communication with Shareholders

The Company endeavours to maintain an on-going dialogue with the shareholders and in particular to communicate with the shareholders through annual general meetings or other general meetings 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 Company's 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 (AGM), the Company's financial reports (annual, interim and (if any) 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 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 enhance 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 (if any) 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 year, there had been no significant change in the Company's constitutional documents.

# REPORT OF THE DIRECTORS

The Board is pleased to present their annual report together with the consolidated financial statements of the Company for the year ended 31 March 2016.

## Principal Activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 38 to the consolidated financial statements. The Group is principally engaged in the trading of fur skins, fur skins brokerage and mink farming. 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 2016 are set out in Note 6 to the consolidated financial statements respectively.

## Business Review

A review of the business of the Group during the year are provided in the section headed "Business Review" on pages 3 to 4 of this annual report. An analysis of the Group's performance during the year using key financial performance indicators are provided in the section headed "Financial Review" on pages 5 to 6 of this annual report.

### Principal Risks and Uncertainties

The Group's business risks are mainly (i) global economic condition that influences the fur skin price and demand of luxurious goods; (ii) currency risks; and (iii) customer's appetite on mink and fur. The plunge in fur skin price, which has brought an adverse impact on all business areas of the Group for the period under review is expected to pose uncertainty on the performance of the Group's fur business. In order to reduce the impact of such price drop, the Company is exploring business opportunities to diversify its business, in particular, the Company will soon commence its money lending business as set out in the section in headed "Chairman Statement" on page 4 of this annual report.

### Contingent Liabilities

During the year ended 31 March 2016, there were no contingent liabilities noted by the Directors.

### Environmental Policies and Performance

The Group has long considered environmental protection and energy conservation as one of its key priorities in order to enhance the sustainable development and undertake relative social responsibility.

As regards the Group's mink farming business, in order to conserve the environment and to reduce waste, the Group sells the animal fats from minks for production of bio-diesel, while other by-products of mink farming are sold for production of fertilisers. The Group also utilises by-products from the fish and meat industries as animal feeds for minks. As far as the Directors are aware, the environmental protection measures adopted by mink farms of the Group have complied with the relevant legislation in all material aspects. Mink welfare of the Group's mink farms is monitored by the relevant Danish authorities and experienced personnel and management of Group to benchmark against the relevant Danish legislation provisions and industry practice governing mink welfare; and environmental protection measures adopted by the mink farms of the Group are in line with the industry standard.

### Compliance with Relevant Laws and Regulations

During the year ended 31 March 2016, the Board was not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the Group.

### Relationships with Employees, Customers and Suppliers

The Company understands the importance of maintaining a good relationship with employees, customers and suppliers as they are the foundation of the Group's success.

### Employees

The Company strictly complies with all the applicable rules and regulations in relation to employment, to name a few, the Labour Ordinance, Mandatory Provident Fund Ordinance and Personal Data (Privacy) Ordinance, etc. The Group has purchased all necessary insurance and made monthly contributions for its staff and has measures in place endeavoured to protect all staff's personal information. There are channels for staff to express their opinions with regard to their work. Moreover, the Group also strives to provide a safe, healthy and harmonious workplace with fair and equal opportunities for staff of both gender.

### Customers

The Group highly values the relationship with its customers (i.e. distributors of mink and fur) and has been emphasising the philosophy of fair dealing. As a result, it has won the loyalty of its customers and established a long-term relationship with them. The Group has, from time to time, sought feedbacks from its customers on the goods and services it provides with a view to improve its service quality continuously.

### Suppliers

The Group has also established a long-term relationship and mutual trust with suppliers to ensure the quality and stability of supply of goods. Furthermore, the Company has measure in place for anti-bribery.

## Results and Dividends

The results of the Group for the year ended 31 March 2016 and the financial position of the Company and of the Group as at that date are set out in the consolidated financial statements on pages 39 to 127.

# REPORT OF THE DIRECTORS

No interim dividend was recommended for the six months ended 30 September 2015 (six months ended 30 September 2014: HK0.24 cents per share). The Directors do not recommend the payment of any final dividend for the year ended 31 March 2016 (2015: HK0.12 cents per share in cash and bonus issue of one new share for every five then existing shares).

## Summary of Financial Information

A summary of the published results and assets and liabilities of the Group for the five financial years ended 31 March 2016, as extracted from the consolidated financial statements in the Prospectus and the previous and current annual reports of the Company, is set out on page 128 of this annual report. This summary does not form part of the consolidated financial statements.

## Reserves

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 41 and Note 39 to the consolidated financial statements respectively.

## Property, Plant and Equipment and Investment Properties

Details of the movements in property, plant and equipment and investment properties of the Group during the year are set out in Notes 14 and 15 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 under review, together with reasons for the movements, are set out in Notes 29 and 33 to the consolidated financial statements respectively.

## 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

During the year ended 31 March 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## Major Customers and Suppliers

The percentages of purchases and sales for the year ended 31 March 2016 attributable to the Group's major suppliers and customers are as follows:

| | **Approximate % to total turnover for the year ended 31 March 2016** |
|---|---|
| Purchases | |
| — the largest supplier | 44.2% |
| — the five largest suppliers combined | 100% |
| Sales | |
| — the largest customer | 39.3% |
| — the five largest customers combined | 94.9% |

None of the Directors, their associates or (to the best knowledge of the Directors) shareholders holding 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$304,200 (2015: HK$1,266,000).

## 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

Ms. Mak Yun Chu (appointed on 15 March 2016)
Mr. Lau Siu Ki (resigned on 15 March 2016)
Mr. Tang Tat Chi
Mr. Jean-pierre Philippe

Mr. Lau Siu Ki resigned as a Director of the Company with effect from 15 March 2016 as he wished to devote more time on his personal business. Mr. Lau Siu Ki confirmed that he has no disagreements with the Board and there is nothing needed to be brought to the attention to the shareholders of the Company in relation to his resignation.

Pursuant to Article 83(3) of the Company's Articles of Association, Ms. Mak Yun Chu, who was appointed on 15 March 2016 to fill the casual vacancy arising from the resignation of Mr. Lau Siu Ki, shall hold office until the forthcoming AGM and shall then be eligible for re-election at the AGM. For the purpose of rotation at the forthcoming AGM, Ms. Mak Yun Chu is not taken into account. Pursuant to Article 84(1) of the Company's Articles of Association and the Corporate Governance Code of the Company, Ms. Kwok Yin Ning and Mr. Jean-pierre Philippe will retire by rotation at the forthcoming AGM. All of them, being eligible, will offer themselves for re-election at the AGM.

## Directors' Biographies

Biographies details of the Directors of the Group are set out on pages 10 to 11 of this annual report.

## Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company. Each of the independent non-executive Directors has signed an appointment letter with the Company for a period of three years commencing from 16 June 2015, save and except that Ms. Mak Yun Chu's three-year term of appointment commenced from 15 March 2016. The appointment of all Directors are subject to (i) the termination pursuant to the terms of their respective service contract or appointment letter and (ii) the rotation, removal, vacation or termination of their offices as Directors or the disqualification to act as Directors as set out in the Company's Articles of Association, the applicable laws and the Listing Rules.

Other than those disclosed above, no Director proposed for re-election at the forthcoming AGM 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 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the 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 10 to the consolidated financial statements.

## Pension Schemes

Particulars of the Group's pension schemes are set out in Note 34 to the consolidated financial statements.

## Management Contracts

As at 31 March 2016, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of any 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 remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement.

## Directors' Interests in Transactions, Arrangements and Contract

Mr. Wong Chun Chau, an executive Director and Chairman of the Company, is interested in the top-up placing agreement and the top-up subscription agreement both dated 14 August 2015 (details of which are set out on page 6 of this annual report) to the extent that Trader Global Investments Limited is wholly owned by him.

Save for the aforesaid, no other transactions, arrangements and contract of significance to the business of the Group to which the Company, or any of 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 2016.

## 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 2016.

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

As at 31 March 2016, the following Directors or the chief executive of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under section 352 of the SFO; or (iii) had to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

### (A) Interests in the Company — Long position in shares of the Company

| Name | Nature of Interest | Number of Shares | Approximate percentage of shareholding in the Company (Note 3) |
|---|---|---|---|
| Mr. WONG, Chun Chau (Note 1) | Interest of controlled corporation | 653,232,000 | 23.04% |
| | Beneficial owner | 28,339,000 | 1.00% |
| Ms. KWOK, Yin Ning | Beneficial owner | 18,662,400 | 0.66% |
| Mr. Jean-pierre PHILIPPE (Note 2) | Interest of controlled corporation | 2,332,800 | 0.08% |
| | Beneficial owner | 3,420,000 | 0.12% |
| | Interest held with another person | 2,480,000 | 0.09% |

Note 1: Under the SFO, Mr. Wong is deemed to be interested in 653,232,000 shares which are held by Trader Global Investments Limited, a company wholly owned by Mr. Wong.

Note 2: Under the SFO, Mr. Philippe is deemed to be interested in 2,332,800 shares which are held by Aglades Investment Pte Limited, a company wholly owned by Mr. Philippe.

Note 3: Such percentage was calculated against the number of issued shares of the Company as at 31 March 2016, being 2,835,074,400 shares.

### (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 (Note 1) | Approximate percentage of shareholding in the Company assuming all the options granted under the Share Option Schemes were exercised |
|---|---|---|---|---|
| Mr. WONG, Chun Chau | Beneficial owner | 58,898,240 | 2.08% | 1.98% |
| Ms. KWOK, Yin Ning | Beneficial owner | 62,409,600 | 2.20% | 2.10% |

Note 1: Such percentage was calculated against the number of issued Shares of the Company as at 31 March 2016, being 2,835,074,400 shares.

Save as disclosed above, as at 31 March 2016, neither the Directors nor the chief executives of the Company had interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under section 352 of the SFO; or (iii) had to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 March 2016, the following parties (in addition to the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

### Long position in shares of the Company

| **Name** | **Nature of Interest** | **Name of Shares** | **Approximate percentage of shareholding in the Company** (Note 2) |
|---|---|---|---|
| Trader Global Investment Limited (Note 1) | Beneficial owner | 653,232,000 | 23.04% |
| ZHUO Kun | Beneficial owner | 282,480,000 | 9.96% |

Note:

1 Trader Global Investments Limited is wholly and beneficially owned by Mr. Wong Chun Chau, a director of the Company. Mr. Wong is also the sole director of Trader Global Investment Limited.

2. Such percentage was calculated against the number of issued shares of the Company as at 31 March 2016, being 2,835,074,400 shares.

Save as disclosed above, as at 31 March 2016, the Directors were not aware of any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

## Directors' Rights to Acquire Shares or Debentures

Other than as disclosed under the sections "Share Option Schemes" 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 2016 was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO, or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate granted to any Director or his/her spouse or children under 18 years or age, or were any such rights exercised by them.

## Share Option Schemes

The Company has adopted, on 1 August 2012, two share option schemes, namely the Pre-IPO Share Option Scheme and the Share Option Scheme, for the purpose of providing incentives to eligible employees (including Directors) and any advisers or consultants who contributes to the success of the Group. The Pre-IPO Share Option was terminated on 23 August 2012, being the day immediately preceding the date on which the Company's shares were listed on the Stock Exchange. No further options were and will be granted under the Pre-IPO Share Option Scheme after its termination.

The Directors have estimated the values of the share options granted, calculated by using the binomial option pricing model as at the date of grant of the options. The values of share options calculated 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 changes to the variables used may materially affect the estimation of the fair value of an option.

The major terms of the Share Option Scheme, in conjunction with the requirements of Chapter 17 of the Listing Rules, are as follows:

1. The participants of the Share Option Scheme are employees and any advisers or consultants who at the sole discretion of the Board has contributed or is expected to contribute to the Group.

2. The purpose of the Share Option Scheme is to recognise and motivate the contribution of the participants and to provide incentives and help the Company in retaining its employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

3. The total number of the shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and all other share option schemes of the Company shall not exceed 10% of the total number of shares in issue as at the date immediately following completion of the placing on 24 August 2012, being 96,000,000 shares. The 10% limit may be refreshed with the approval by ordinary resolution of the shareholders.

   On 18 July 2014, the shareholders at annual general meeting resolved to refresh the 10% limit and the Company may grant further option carrying rights to subscribe for up to a total of 165,177,600 shares and such number of shares, representing approximately 5.72% of total number of issued shares of the Company as at the date of this report, are available for issue under the Share Option Scheme.

4. The maximum number of shares of the Company which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time.

5. No participant shall be granted a share option if the total number of the shares issued and to be issued upon exercise of the options granted to such participant (including exercised and outstanding options) in any 12 months period up to and including the date of grant would exceed 1% of the shares for the time being in issue unless the proposed grant has been approved by the shareholders in general meeting with the proposed grantee and his associates abstaining from voting.

6. A share option may be exercised in accordance with the terms of the Share Option Scheme at any time during such period as the Board may in its absolute discretion determine but such period must not exceed ten years from the date of grant of the relevant option.

7. The Share Option Scheme do not specify any minimum holding period but the Board has the authority to determine the minimum period for which an option in respect of some or all of the shares forming the subject of the options must be held before it can be exercised.

8. The acceptance of an offer of the grant of a share option must be made within 20 business days from the date of offer with a non-refundable payment of HK$1.00 from each grantee.

9. The exercise price of any particular share option under the Share Option Scheme shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case will not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a day on which the Stock Exchange is open for the trading of securities ("Trading Day"); (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant; and (iii) the nominal value of a share.

10. The Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from 1 August 2012 and will expire on 31 July 2022.

The following table sets out the change of number of share options outstanding under the Pre-IPO Share Option Scheme during the year ended 31 March 2016:

| Name or category of participant | Number of shares to be allotted and issued under share options: As at 1 April 2015 | Granted during the year | Adjusted due to bonus issue (Note 1) | Exercised during the year | Lapsed during the year | As at 31 March 2016 | Date of grant of share options | Exercise price of share options (Note 1) HK$ | Exercise period of share options |
|---|---|---|---|---|---|---|---|---|---|
| *Directors* | | | | | | | | | |
| Mr. WONG Chun Chau | 28,915,200 | – | 5,783,040 | – | – | 34,698,240 | 1 August 2012 | 0.120 | Note 2 |
| Ms. KWOK Yin Ning | 19,008,000 | – | 3,801,600 | – | – | 22,809,600 | 1 August 2012 | 0.120 | Note 2 |
| *Consultant* | 13,824,000 | – | 2,764,800 | – | – | 16,588,800 | 1 August 2012 | 0.151 | Note 3 |
| *Employees* | 4,642,400 | – | 176,480 | (3,760,000) | – | 1,058,880 | 1 August 2012 | 0.151 | Note 4 |
| | 66,389,600 | – | 12,525,920 | (3,760,000) | – | 75,155,520 | | | |

Notes:

1. The number and the exercise price of the share options were adjusted as a result of the issue of one bonus share for every five then existing shares held by qualifying shareholders whose name appeared on the register of members of the Company on 31 July 2015.

2. (i) Half of such share options are exercisable after the expiry of 6 months from the date of grant; (ii) outstanding share options up to all such share options are exercisable after the expiry of 18 months from the date of grant. In any event, no option can be exercised after the expiry of 120 months from the date of grant.

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

4. (i) One-third of such share options are exercisable after the expiry of 8 months from the date of grant; (ii) outstanding share options up to two-third of all such share options are exercisable after the expiry of 20 months from the date of grant; and (iii) outstanding share options up to all such share options are exercisable after the expiry of 32 months from the date of grant. In any event, no option can be exercised after the expiry of 120 months from the date of grant.

The following table sets out the change of number of share options outstanding under the Share Option Scheme during the year ended 31 March 2016:

| | Number of shares to be allotted and issued under share options | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name or category of participant | As at 1 April 2015 | Granted during the year | Adjusted due to bonus issue (Note 1) | Exercised during the year | Lapsed during the year | As at 31 March 2016 | Date of grant of share options | Exercise price of share options HK$ | Exercise period of share options |
| *Directors* | | | | | | | | | |
| Mr. WONG Chun Chau | 14,700,000 | – | 2,940,000 | – | (17,640,000) | – | 13 August 2013 | 0.283 (Note 1) | Note 2 |
| | 6,000,000 | – | 1,200,000 | – | – | 7,200,000 | 14 August 2014 | 0.182 (Note 1) | Note 2 |
| | – | 17,000,000 | – | – | – | 17,000,000 | 18 August 2015 | 0.249 | Note 2 |
| Ms. KWOK Ying Ning | 13,000,000 | – | 2,600,000 | – | – | 15,600,000 | 13 August 2014 | 0.188 (Note 1) | Note 2 |
| | – | 24,000,000 | – | – | – | 24,000,000 | 18 August 2015 | 0.249 | Note 2 |
| *Employees* | 480,000 | – | 96,000 | – | – | 576,000 | 13 August 2014 | 0.188 (Note 1) | Note 2 |
| | – | 900,000 | – | – | (400,000) | 500,000 | 18 August 2015 | 0.249 | Note 2 |
| | 34,180,000 | 41,900,000 | 6,836,000 | – | (18,040,000) | 64,876,000 | | | |

Notes:

1. The number and the exercise price of the share options were adjusted as a result of the issue of one bonus share for every five then existing shares held by qualifying shareholders whose names appeared on the register of members of the Company on 31 July 2015.

2. The above share options are exercisable within 24 months after the date of grant.

## Connected Transactions and Continuing Connected Transactions

During the year, the Company had not entered into any connected transactions or continuing connected transactions which are required to be disclosed under Chapter 14A of Listing Rules.

## Related Party Transactions

During the year ended 31 March 2016, the Group entered into certain related party transactions, details of which are set out in Note 35 to the consolidated financial statements of the Group. Notwithstanding that these transactions constitute connected transactions under Chapter 14A of the Listing Rules, the Company is not required to make disclosure by virtue of Rule 14A.76 of the Listing Rules.

## Corporate Governance

The major corporate governance practices as adopted by the Company are set out in the Corporate Governance Report section set out on pages 12 to 21.

## Controlling Shareholders' Non-Competition Undertaking

As disclosed in the section headed "RELATIONSHIP WITH CONTROLLING SHAREHOLDERS — NON-COMPETITION UNDERTAKING" in the Company's prospectus dated 15 August 2012, the controlling shareholders of the Company executed a deed of non-competition on 1 August 2012 (the "Non-Competition Undertaking") in favour of the Company. Each controlling shareholder of the Company is required to provide the Company with a written confirmation each year in respect of their compliance with the Non-Competition Undertaking. Such confirmations were and will be considered and acknowledged by the Directors at relevant meetings of the Board. The Directors are of the view that these procedures are adequate to ensure and monitor the controlling shareholders' compliance with the Non-Competition Undertakings.

The Company has received the said written confirmation for the year ended 31 March 2016 from each controlling shareholder and the Directors are of the view that the controlling shareholders have been in compliance with the Non-Competition Undertaking for the year under review.

## Permitted Indemnity Provision

Save for the directors and officers liability insurance maintained by the Company in respect of relevant legal actions against the Directors, at no time during the year ended 31 March 2016 and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors (whether made by the Company or otherwise).

## Equity-Linked Agreements

On 14 August 2015, the Company entered into a top-up placing agreement with Supreme China Securities Limited ("Placing Agent") and Trader Global Investments Limited ("Vendor"), a substantial shareholder wholly of the Company, which is owned by Mr. Wong Chun Chau, 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"). On the same day, Trader Global Investments Limited as subscriber and the Company as issuer also entered into a top-up subscription agreement ("Top-up Subscription Agreement") pursuant to which the Vendor has conditionally agreed to subscribe for such number of shares ("Top-up Subscription Shares") equal to the number of Top-up Placing Shares which would actually be placed under the Top-up Placing at a price of HK$0.2 per Top-up Subscription Share ("Top-up Subscription").

The Top-up Subscription is conditional upon: (a) the completion of the Top-up Placing; and (b) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Top-up Subscription Shares.

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 Shares and HK$0.2 per Top-up Subscription Share respectively to HK$0.201 per Top-up Placing Shares ("Revised Placing Price") and HK$0.201 per Top-up Subscription Share ("Revised Subscription Price").

Completion of the Top-up Subscription took place on 27 August 2015 upon which 405,000,000 Top-up Subscription Shares were allotted and issued to Vendor at the Revised Subscription Price pursuant to the Top-up Subscription Agreement (as amended by the Confirmation).

Save for the Top-up Subscription Agreement and the Share Option Schemes as set out in the paragraph headed "Share Option Schemes" in this Report of the Directors, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 March 2016 or subsisted at the end of the said period.

## Events after the Reporting Period

There are no significant events taken place after 31 March 2016.

## Sufficiency of Public Float

Throughout the year ended 31 March 2016 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 shares as required under the Listing Rules.

## Review of Annual Results by Audit Committee

The Company has established the Audit Committee which comprises all 3 independent non-executive Directors. The current members are Ms. Mak Yun Chu, Mr. Jean-pierre Philippe and Mr. Tang Tat Chi. 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.

## Auditor

The consolidated financial statements of the Group for the year ended 31 March 2016 have been audited by HLM CPA Limited who will retire and a resolution to re-appoint HLM CPA Limited as auditor of the Company will be proposed at the AGM.

On behalf of the Board
**UKF (Holdings) Limited**

**Wong Chun Chau**
*Chairman and Executive Director*
28 June 2016

# INDEPENDENT AUDITOR'S REPORT


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

Room 305, Arion Commercial Centre
2-12 Queen's Road West, Hong Kong.
香港皇后大道西2-12號聯發商業中心305室
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**TO THE MEMBERS OF UKF (HOLDINGS) LIMITED**
**英裘(控股)有限公司**
*(Incorporated in 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 39 to 127, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 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 auditor considers 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 financial position of the Group as at 31 March 2016 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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, 28 June 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

| | Notes | **2016** **HK$** | 2015 HK$ |
|---|---|---|---|
| Revenue | 5 & 6 | **219,728,624** | 301,596,169 |
| Cost of sales | | **(236,662,797)** | (217,994,664) |
| Gross (loss) profit | | **(16,934,173)** | 83,601,505 |
| Other income | 7 | **9,655,467** | 1,365,789 |
| Write-down of inventories | | **(5,808,579)** | — |
| Impairment of goodwill | 16 | **(37,575,889)** | — |
| Change in fair value less costs to sell of biological assets | 17 | **26,814,354** | 16,024,927 |
| Administrative expenses | | **(63,838,131)** | (55,507,940) |
| Finance costs | 8 | **(5,663,120)** | (7,411,648) |
| (Loss) profit before tax | 9 | **(93,350,071)** | 38,072,633 |
| Income tax expense | 11 | **(1,091,701)** | (1,433,480) |
| (Loss) profit for the year and attributable to owners of the Company | | **(94,441,772)** | 36,639,153 |
| 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 | | **380,471** | (1,746,797) |
| Other comprehensive (expense) income for the year, net of tax | | **(794,910)** | 28,577 |
| Total comprehensive (expense) income for the year attributable to owners of the Company | | **(95,236,682)** | 36,667,730 |
| (Loss) earnings per share | 13 | | |
| Basic | | **(3.54) cents** | 1.53 cents |
| Diluted | | **(3.54) cents** | 1.48 cents |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

| | Notes | 2016<br>HK$ | 2015<br>HK$ |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **135,362,408** | 35,874,450 |
| Investment properties | 15 | **—** | 1,125,559 |
| Goodwill | 16 | **37,857,253** | 75,433,142 |
| Available-for-sale investment | 18 | **10,503,111** | 10,122,640 |
| Deferred tax asset | 28 | **495,259** | 1,241,921 |
| | | **184,218,031** | 123,797,712 |
| **Current assets** | | | |
| Biological assets | 17 | **29,483,556** | 18,509,725 |
| Inventories | 19 | **54,287,749** | 80,577,472 |
| Trade and other receivables | 20 | **27,709,702** | 66,751,283 |
| Loan receivables | 21 | **107,046,011** | 94,251,770 |
| Derivative financial instruments | 22 | **—** | 149,143 |
| Tax recoverable | | **2,249,037** | 1,242,606 |
| Bank balances and cash | 23 | **66,138,753** | 136,655,316 |
| | | **286,914,808** | 398,137,315 |
| **Current liabilities** | | | |
| Trade and other payables | 24 | **37,021,416** | 59,859,109 |
| Derivative financial instruments | 22 | **—** | 150,258 |
| Tax payables | | **6,038,043** | 5,540,168 |
| Bank borrowings | 25 | **130,960,159** | 145,130,478 |
| Obligations under finance leases | 26 | **293,116** | 194,897 |
| Bank overdraft | | **—** | 171,850 |
| | | **174,312,734** | 211,046,760 |
| **Net current assets** | | **112,602,074** | 187,090,555 |
| **Total assets less current liabilities** | | **296,820,105** | 310,888,267 |
| **Non-current liabilities** | | | |
| Obligations under finance leases | 26 | **693,942** | 16,628 |
| Corporate bond | 27 | **10,000,000** | 10,000,000 |
| Deferred tax liability | 28 | **534** | 115,019 |
| | | **10,694,476** | 10,131,647 |
| **Net assets** | | **286,125,629** | 300,756,620 |
| **Capital and reserve** | | | |
| Share capital | 29 | **28,350,744** | 20,063,020 |
| Reserves | | **257,774,885** | 280,693,600 |
| | | **286,125,629** | 300,756,620 |

The consolidated financial statements on pages 39 to 127 were approved and authorised for issue by the Board of Directors on 28 June 2016 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 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 income (expense) 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 income (expense) 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 (expense) income 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<br>HK$ | 2015<br>HK$ |
|---|---|---|
| **Operating activities** | | |
| (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** | – |
| 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 | **(61,545,485)** | (23,360,982) |
| Decrease in inventories | **99,141,416** | 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) |
| **Net cash (used in) generated from operating activities** | **(19,169,069)** | 66,685,414 |
| **Investing activities** | | |
| 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 |
| **Net cash used in investing activities** | **(104,159,930)** | (21,668,495) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

| | 2016<br>HK$ | 2015<br>HK$ |
|---|---|---|
| **Financing activities** | | |
| 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 from issue of shares upon exercise of share options | **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) |
| **Net cash generated from financing activities** | **59,671,058** | 15,057,963 |
| **Net (decrease) increase in cash and cash equivalents** | **(63,657,941)** | 60,074,882 |
| **Cash and cash equivalents at beginning of the year** | **136,483,466** | 60,756,260 |
| Effect of foreign exchange rate changes, net | **(6,686,772)** | 15,652,324 |
| **Cash and cash equivalents at the end of the year** | **66,138,753** | 136,483,466 |
| **Cash and cash equivalents represented by:** | | |
| Bank balances and cash | **66,138,753** | 136,655,316 |
| Bank overdraft | **–** | (171,850) |
| | **66,138,753** | 136,483,466 |

## 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") on 20 March 2015. 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 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.

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

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

**Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions** *(Continued)*

The application of these amendments has had no material impact on the disclosure or the amounts recognised in the Group's consolidation 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.

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

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

#### 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 there was 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.

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

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

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted
3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted
4 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.

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

### New and revised HKFRSs in issue but not yet effective *(Continued)*

**HKFRS 9 Financial Instruments** *(Continued)*

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.

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

### New and revised HKFRSs in issue but not yet effective *(Continued)*

#### HKFRS 9 Financial Instruments *(Continued)*

- 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

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

### New and revised HKFRSs in issue but not yet effective *(Continued)*

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

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 on the Group's consolidated financial statements. 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.

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

### New and revised HKFRSs in issue but not yet effective *(Continued)*

#### 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.

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

### New and revised HKFRSs in issue but not yet effective *(Continued)*

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

The amendments to HKAS 16 Property, Plant and Equipment and HKAS 41 Agriculture 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 bearer plants 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.

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

### New and revised HKFRSs in issue but not yet effective *(Continued)*

#### 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.

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

### New and revised HKFRSs in issue but not yet effective *(Continued)*

#### 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 12 Income Taxes regarding the recognition of deferred taxes at the time of acquisition and 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.

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

### New and revised HKFRSs in issue but not yet effective *(Continued)*

#### Annual Improvements to HKFRSs 2012-2014 Cycle *(Continued)*

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 qualify 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. Significant Accounting Policies

### Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

### Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain available-for-sale investment, derivative financial instruments and biological assets that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value-in-use in HKAS 36.

## 3. Significant Accounting Policies *(Continued)*

### Basis of preparation *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

## 3. Significant Accounting Policies *(Continued)*

### Basis of consolidation *(Continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, if any. 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## 3. Significant Accounting Policies *(Continued)*

### Business combinations

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 re-assessment, 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.

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 made 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.

## 3. Significant Accounting Policies *(Continued)*

### Business combinations *(Continued)*

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, 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 is 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), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

## 3. Significant Accounting Policies *(Continued)*

### Interests in subsidiaries

Interests in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

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 deconsolidated from the date that control ceases.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the 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.

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.

Commission and brokerage income are recognised when the right to receive commission and brokerage has been established.

## 3. Significant Accounting Policies *(Continued)*

### 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 in profit or loss 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 as an expense on a straight-line basis over the lease term.

#### The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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.

In the event that lease incentives are received to enter into operating leases, 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 asset are consumed.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a 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.

## 3. Significant Accounting Policies *(Continued)*

### Biological assets

Biological assets comprise minks.

Minks are measured at fair value less cost to sell, based on average market price at auction of skins less incremental costs. Costs to sell include the incremental selling costs, auctioneers' fees and pelting fee paid to skinners.

Changes in fair value of minks are recognised in the consolidated statement of profit or loss and other comprehensive income.

### Property, plant and equipment

Property, plant and equipment including buildings and freehold land held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful life, using the straight-line method, at the following rates per annum:

| | |
|---|---|
| Buildings | 2-5% |
| Leasehold improvement | 20% |
| Plant and machinery | 5-20% |
| Office equipment | 20% |
| Motor vehicle | 20% |
| Freehold land | 0% |

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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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 is 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)*

### Property, plant and equipment *(Continued)*

#### Buildings under development for future owner-occupied purpose

Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes).

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 in which the property is derecognised.

If an investment property becomes owner-occupied evidenced by commencement of change in use, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes.

### 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 with finite useful lives 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 an indication that they may be impaired.

## 3. Significant Accounting Policies *(Continued)*

### Impairment of tangible and intangible assets other than goodwill *(Continued)*

Recoverable amount is the higher of fair value less costs of disposal 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.

When 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.

### 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 substantially 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 costs eligible for capitalisation.

All other borrowing costs are 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 (foreign currencies) are recognised at the rates of exchanges 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 on 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 (see the accounting policies below); and
- exchange differences on monetary items receivable from or payable to a 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 purposes of presenting the 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 expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

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, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), 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 addition, 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 joint arrangements 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 acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

## 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 '(loss) profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because 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 the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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 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 each 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 is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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.

## 3. Significant Accounting Policies *(Continued)*

### Taxation *(Continued)*

#### 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 and cash equivalents include cash at bank and in hand, bank deposits having been within three months of maturity at acquisition, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

### Employee benefits

#### Retirement benefit costs

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

#### Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

### Share-based payment arrangements

#### Equity-settled share-based payment transactions

***Share options granted to employees***

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 33.

## 3. Significant Accounting Policies *(Continued)*

### Share-based payment arrangements *(Continued)*

#### Equity-settled share-based payment transactions *(Continued)*

***Share options granted to employees*** *(Continued)*

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (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. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to 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 the share option reserve.

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

***Share options granted to consultants***

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

### 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 or 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.

## 3. Significant Accounting Policies *(Continued)*

### Financial instruments *(Continued)*

#### Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale ("AFS") financial assets and loans and receivables. 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 day 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.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

***Financial assets at FVTPL***

Financial assets are classified as at FVTPL when the financial asset is 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 term; or
- on initial recognition it is a 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.

## 3. Significant Accounting Policies *(Continued)*

### Financial instruments *(Continued)*

**Financial assets** *(Continued)*

***Financial assets at FVTPL*** *(Continued)*

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 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 includes any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in Note 37.

***AFS financial assets***

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL. The Group designated guaranteed return investment as AFS financial assets on initial recognition.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss.

Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

## 3. Significant Accounting Policies *(Continued)*

### Financial instruments *(Continued)*

**Financial assets** *(Continued)*

***AFS financial assets*** *(Continued)*

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where 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 considered to be impaired when 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 AFS equity investments, 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
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables and loan receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective 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 120 days (trade receivables) or 180 days (loan receivables), observable changes in national or local economic conditions that correlate with default on receivables.

## 3. Significant Accounting Policies *(Continued)*

### Financial instruments *(Continued)*

#### Financial assets *(Continued)*

***Impairment of financial assets*** *(Continued)*

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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's 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 (see the accounting policy below).

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

#### 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.

## 3. Significant Accounting Policies *(Continued)*

### Financial instruments *(Continued)*

**Financial liabilities and equity instruments** *(Continued)*

***Equity instruments***

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 a group entity 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 incurred 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.

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.

## 3. Significant Accounting Policies *(Continued)*

### Financial instruments *(Continued)*

#### Financial liabilities and equity instruments *(Continued)*

***Financial liabilities at FVTPL*** *(Continued)*

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 excludes any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 37.

***Other financial liabilities***

Other financial liabilities (including bank borrowings, trade and other payables, corporate bond and obligations under finance leases) 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, of which the interest expense is included in net gains or losses.

#### Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

## 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 asset 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 recognises 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 (e.g. when the Group retains an option to repurchase part of a transferred asset), 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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### 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 that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, 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. When 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).

## 3. Significant Accounting Policies *(Continued)*

### Provisions *(Continued)*

When some or all of the economic benefits 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.

### Related parties

A related party is an individual 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 an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

## 4. Critical Accounting Judgements and 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 associated 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 on-going 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.

### Key sources of estimation uncertainty

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

#### Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the management of the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill as at 31 March 2016 was HK$37,857,253 (2015: HK$75,433,142). Details of the recoverable amount calculation are set out in Note 16.

#### Useful lives and impairment of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the Group's experience over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, 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 useful lives.

#### Write-down 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. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(Continued)*

### Key sources of estimation uncertainty *(Continued)*

#### Fair value of other financial instruments

The Directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument.

#### Fair values of biological assets

The biological assets are valued 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 estimates periodically to identify any significant change in the fair value of biological assets. Details of the assumptions used are disclosed in Note 17.

#### Impairment of trade receivables and loan 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 2016, the carrying amounts of trade receivables and loan receivables are HK$16,245,103 (2015: HK$62,029,417) and HK$107,046,011 (2015: HK$94,251,770) respectively.

#### Income taxes

The Group is subject to income taxes in Hong Kong and Denmark. 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 Group 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.

## 4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(Continued)*

### Key sources of estimation uncertainty *(Continued)*

**Income taxes** *(Continued)*

As at 31 March 2016, a deferred tax asset of HK$603,901 (2015: HK$1,241,921) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

## 5. Revenue

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

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

## 6. 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 livestocks and pelted skins |
| Fur skins brokerage | — | Provision of fur brokerage and financing services |

## 6. Segment Information *(Continued)*

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 HK$ | Fur skins brokerage HK$ | Mink farming HK$ | Total HK$ |
|---|---|---|---|---|
| REVENUE | 152,389,002 | 19,368,802 | 47,970,820 | 219,728,624 |
| RESULTS | | | | |
| Segment results | (25,723,754) | 19,368,802 | (10,579,221) | (16,934,173) |
| Other income | 2,193,429 | 575,136 | 6,886,902 | 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 |
| Allowance for bad and doubtful debts | – | (1,050,549) | – | (1,050,549) |
| Unallocated corporate expenses | | | | (62,787,582) |
| Finance costs | | | | (5,663,120) |
| Loss before tax | | | | (93,350,071) |
| Income tax expense | | | | (1,091,701) |
| Loss for the year | | | | (94,441,772) |

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

### 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 | 145,000 | – | 104,155,415 | 104,300,415 |
| Depreciation and amortisation | 643,106 | 10,423 | 9,519,866 | 10,173,395 |

## 6. Segment Information *(Continued)*

### For the year ended 31 March 2015

| | Trading of fur skins HK$ | Fur skins brokerage HK$ | Mink farming HK$ | Total HK$ |
|---|---|---|---|---|
| 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 | 389,234 | 221,211 | 755,344 | 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 HK$ | Fur skins brokerage HK$ | Mink farming HK$ | Total HK$ |
|---|---|---|---|---|
| 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 |

## 6. Segment Information *(Continued)*

Segment result represents the result from each segment without allocation of central administration costs including directors' salaries, 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 payables, 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**<br>**HK$** | 2015<br>HK$ |
|---|---|---|
| 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 |
| | **219,728,624** | 301,596,169 |

## 6. Segment Information *(Continued)*

### Geographical information *(Continued)*

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 |
| | **471,132,839** | 521,935,027 | **104,300,415** | 9,594,990 |

### 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$200,359,822 (2015: HK$268,663,765) 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 revenue 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 |
| | **176,037,000** | 258,792,000 |

* 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.

## 7. Other Income

| | 2016<br>HK$ | 2015<br>HK$ |
|---|---|---|
| Bank interest income | **46,946** | 93,467 |
| Interest income from customers | **—** | 4,689 |
| Bonus and commission rebate | **825,655** | 516,978 |
| Rental income | **—** | 173,279 |
| Exchange gains | **6,307,890** | — |
| Surplus distribution from Kopenhagen Fur | **964,494** | 564,386 |
| Net over-provision of auction interest | **1,301,608** | — |
| Change in fair value of derivative financial instruments | **1,115** | — |
| Others | **207,759** | 12,990 |
| | **9,655,467** | 1,365,789 |

## 8. Finance Costs

| | 2016<br>HK$ | 2015<br>HK$ |
|---|---|---|
| Trust receipt loans interest | **2,423,733** | 2,154,131 |
| Term loans interest | **2,458,472** | 1,504,813 |
| Overdraft interest | **72,185** | 9,497 |
| Imputed interest on promissory note | **—** | 661,879 |
| Interest on finance leases | **9,141** | 13,688 |
| Interest on receipt in advance | **149,589** | 627,574 |
| Auction interest (Note 1) | **—** | 1,890,066 |
| Bond interest | **550,000** | 550,000 |
| | **5,663,120** | 7,411,648 |

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

## 9. (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 — Note 10) | | |
| — 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** | — |
| Allowance for bad and doubtful debts | **1,050,549** | — |
| Change in fair value of derivative financial instruments | **(1,115)** | 1,115 |

## 10. Directors' Remuneration and Senior Management's Emoluments

### (a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the directors of the Group in 2016 are as follows:

| **Emoluments** | **Fees HK$** | **Salaries and other benefits HK$** | **Retirement benefit scheme contributions HK$** | **Discretionary Bonus HK$** | **Total HK$** |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| Mr. Wong Chun Chau | **—** | **1,259,316** | **18,000** | **196,633** | **1,473,949** |
| Ms. Kwok Yin Ning | **—** | **850,998** | **18,000** | **141,083** | **1,010,081** |
| **Independent non-executive directors** | | | | | |
| Ms. Mak Yun Chu (appointed on 15 March 2016) | **5,000** | **—** | **—** | **—** | **5,000** |
| Mr. Lau Siu Ki (resigned on 15 March 2016) | **287,500** | **—** | **—** | **—** | **287,500** |
| Mr. Tang Tat Chi | **140,000** | **—** | **—** | **—** | **140,000** |
| Mr. Jean-pierre Philippe | **140,000** | **—** | **—** | **—** | **140,000** |
| | **572,500** | **2,110,314** | **36,000** | **337,716** | **3,056,530** |

The emoluments paid or payable to each of the directors of the Group in 2015 are as follows:

| Emoluments | Fees HK$ | Salaries and other benefits HK$ | Retirement benefit scheme contributions HK$ | Discretionary Bonus HK$ | Total HK$ |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| Mr. Wong Chun Chau | — | 1,125,911 | 17,500 | 73,300 | 1,216,711 |
| Ms. Kwok Yin Ning | — | 1,268,740 | 17,500 | 57,750 | 1,343,990 |
| **Independent non-executive directors** | | | | | |
| Mr. Lau Siu Ki (appointed on 16 March 2015) | 12,500 | — | — | — | 12,500 |
| Mr. Ang Wing Fung (resigned on 16 March 2015) | 132,000 | — | — | — | 132,000 |
| Mr. Tang Tat Chi | 132,000 | — | — | — | 132,000 |
| Mr. Jean-pierre Philippe | 132,000 | — | — | — | 132,000 |
| | 408,500 | 2,394,651 | 35,000 | 131,050 | 2,969,201 |

## 10. Directors' Remuneration and Senior Management's Emoluments *(Continued)*

### (a) Directors' and chief executive's emoluments *(Continued)*

The directors' and chief executive's emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.

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. Two directors waived emoluments HK$146,666 for the year ended 31 March 2016 (2015: Nil).

During the year, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share options scheme are set out in Note 33.

### (b) Employees' emoluments

Of the five individuals with the highest emoluments of the Group, two (2015: two) were directors of the Company whose emoluments are set out in (a) above. The emoluments of the remaining three (2015: three) individuals were as follows:

| | **2016 HK$** | 2015 HK$ |
|---|---|---|
| Salaries and allowances and benefits in kind | **1,902,883** | 2,171,825 |
| Discretionary bonus | **59,053** | 180,400 |
| Defined contribution and retirement benefit scheme contributions | **85,049** | 58,080 |
| | **2,046,985** | 2,410,305 |

Their emoluments were within the following bands:

| | **2016 Number of employees** | 2015 Number of employees |
|---|---|---|
| HK$nil — HK$1,000,000 | **3** | 3 |
| | **3** | 3 |

During the year, the remaining three (2015: 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.

## 11. Income Tax Expense

| | 2016 HK$ | 2015 HK$ |
|---|---|---|
| Current tax | | |
| Hong Kong Profits Tax | **459,526** | 2,717,463 |
| Other jurisdictions | **—** | — |
| | **459,526** | 2,717,463 |
| Over provision in prior years | | |
| Hong Kong Profits Tax | **(2)** | (30,000) |
| Other jurisdictions | **—** | — |
| | **(2)** | (30,000) |
| Deferred tax expense (credit) (Note 28) | | |
| Current year | **632,177** | (1,253,983) |
| Total income tax expense for the year | **1,091,701** | 1,433,480 |

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 income 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 | **1,091,701** | 1,433,480 |

## 12. Dividends

| | 2016<br>HK$ | 2015<br>HK$ |
|---|---|---|
| Interim, paid — HK nil cents (2015: HK0.26 cents) per share | – | 5,257,543 |
| Final dividend paid — HK0.12 cents per share for 2015 (2015: HK0.3 cents per share for 2014) | **2,430,073** | 4,955,328 |
| | **2,430,073** | 10,212,871 |

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

## 13. (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 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share (2015: Adjusted for the effect of bonus issue on 31 July 2015) | **2,668,429,296** | 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 | **2,668,429,296** | 2,472,928,002 |

### 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.

## 14. Property, Plant and Equipment

| | Land HK$ | Buildings HK$ | Leasehold improvement HK$ | Plant and machinery HK$ | Office equipment HK$ | Motor vehicle HK$ | Construction in progress HK$ | Total HK$ |
|---|---|---|---|---|---|---|---|---|
| COST | | | | | | | | |
| At 1 April 2014 | 16,023,404 | 9,886,013 | 2,052,071 | 12,671,917 | 950,379 | 1,304,536 | – | 42,888,320 |
| Additions | – | 305,144 | – | 696,775 | 3,490 | 544,613 | 8,044,968 | 9,594,990 |
| Disposals | – | – | – | (9,900) | (2,999) | (640,834) | – | (653,733) |
| Reclassification | (9,868,282) | 10,104,701 | (357,683) | 121,264 | – | – | – | – |
| Exchange alignment | (1,355,849) | (4,450,939) | – | (2,924,752) | – | (137,983) | (1,249,408) | (10,118,931) |
| At 31 March 2015 and 1 April 2015 | 4,799,273 | 15,844,919 | 1,694,388 | 10,555,304 | 950,870 | 1,070,332 | 6,795,560 | 41,710,646 |
| Additions | 6,069,269 | 60,504,332 | – | 34,560,801 | – | 253,731 | 2,912,282 | 104,300,415 |
| Disposals | (93,539) | – | – | – | – | – | – | (93,539) |
| Transfer from investment properties | – | 1,158,871 | – | – | – | – | – | 1,158,871 |
| Transfer in (out) | – | 5,235,542 | – | 3,048,877 | – | – | (8,284,419) | – |
| Exchange alignment | 417,822 | 2,572,238 | – | 1,537,002 | – | 28,328 | 242,163 | 4,797,553 |
| At 31 March 2016 | 11,192,825 | 85,315,902 | 1,694,388 | 49,701,984 | 950,870 | 1,352,391 | 1,665,586 | 151,873,946 |
| ACCUMULATED DEPRECIATION | | | | | | | | |
| At 1 April 2014 | – | 302,642 | 293,759 | 1,956,985 | 171,409 | 156,125 | – | 2,880,920 |
| Charge for the year | – | 1,016,139 | 338,877 | 2,368,428 | 190,091 | 247,100 | – | 4,160,635 |
| Eliminated on disposals | – | – | – | (2,640) | (1,899) | (157,735) | – | (162,274) |
| Reclassification | – | 39,601 | (39,601) | – | – | – | – | – |
| Exchange alignment | – | (233,199) | – | (798,498) | – | (11,388) | – | (1,043,085) |
| At 31 March 2015 and 1 April 2015 | – | 1,125,183 | 593,035 | 3,524,275 | 359,601 | 234,102 | – | 5,836,196 |
| Charge for the year | – | 2,932,847 | 338,878 | 6,474,168 | 190,174 | 237,328 | – | 10,173,395 |
| Exchange alignment | – | 137,876 | – | 359,515 | – | 4,556 | – | 501,947 |
| At 31 March 2016 | – | 4,195,906 | 931,913 | 10,357,958 | 549,775 | 475,986 | – | 16,511,538 |
| CARRYING AMOUNTS | | | | | | | | |
| At 31 March 2016 | 11,192,825 | 81,119,996 | 762,475 | 39,344,026 | 401,095 | 876,405 | 1,665,586 | 135,362,408 |
| At 31 March 2015 | 4,799,273 | 14,719,736 | 1,101,353 | 7,031,029 | 591,269 | 836,230 | 6,795,560 | 35,874,450 |

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

| | |
|---|---|
| Buildings | 2-5% |
| Leasehold improvement | 20% |
| Plant and machinery | 5-20% |
| Office equipment | 20% |
| Motor vehicle | 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.

During the year ended 31 March 2016, the Group transferred investment properties with a net carrying amounts HK$1,158,871 to property, plant and equipment as evidenced by the commencement of owner occupation. Since the investment properties were measured by cost model, the amount recognised at the date of transfer to property, plant and equipment was the net carrying amount of investment properties.

## 14. Property, Plant and Equipment *(Continued)*

The net carrying amounts of the Group's property plant and equipment held under finance leases included in the total amounts of plant and machinery and motor vehicles as at 31 March 2016 were HK$712,033 (2015: Nil) and HK$284,807 (2015: HK$406,867) respectively.

## 15. Investment Properties

| | HK$ |
|---|---|
| COST | |
| At 1 April 2014 | 1,503,813 |
| Additions | — |
| Exchange alignment | (331,260) |
| At 31 March 2015 and 1 April 2015 | 1,172,553 |
| Additions | — |
| Transfer to property, plant and equipment | (1,207,256) |
| Exchange alignment | 34,703 |
| At 31 March 2016 | — |
| ACCUMULATED DEPRECIATION | |
| At 1 April 2014 | 30,192 |
| Charge for the year | 27,765 |
| Exchange alignment | (10,963) |
| At 31 March 2015 and 1 April 2015 | 46,994 |
| Transfer to property, plant and equipment | (48,385) |
| Exchange alignment | 1,391 |
| At 31 March 2016 | — |
| CARRYING AMOUNTS | |
| At 31 March 2016 | — |
| At 31 March 2015 | 1,125,559 |

During the year ended 31 March 2016, the Group transferred the investment properties to property, plant and equipment as disclosed in Note 14.

## 16. Goodwill

| | HK$ |
|---|---|
| COST | |
| At 1 April 2015 | 75,433,142 |
| Arising on acquisition of a subsidiary | — |
| At 31 March 2016 | 75,433,142 |
| IMPAIRMENT LOSS | |
| At 1 April 2015 | — |
| Impairment loss for the year | 37,575,889 |
| At 31 March 2016 | 37,575,889 |
| CARRYING AMOUNTS | |
| At 31 March 2016 | 37,857,253 |
| At 31 March 2015 | 75,433,142 |

For the purposes of impairment testing, goodwill has been allocated to the cash-generating unit ("CGU"), comprising a subsidiary in the fur skins brokerage segment, Loyal Speed Limited.

Suffering from the substantial drop in fur skin price and customer's spending, the management of the Group estimated the future performance of fur skins brokerage segment would be affected through the recovery period of 1 to 2 years. In view of the above, by reviewing the recoverable amount of the CGU the goodwill is allocated to, the Group recognised an impairment loss of HK$37,575,889 for the year ended 31 March 2016 (2015: Nil).

The recoverable amount of the CGU has been determined on the basis of the value-in-use calculations prepared by an independent valuer. The calculation used cash flow projections based on the financial budgets approved by management covering a three-year period, and a discount rate of 15.89% (2015: 16.63%). The cash flow of CGU beyond the three-year period is extrapolated using a 3% growth rate (2015: 3%). This growth rate is based on the projected inflation rate sourced from the International Monetary Fund.

## 16. Goodwill *(Continued)*

### Valuation assumptions

The principal assumptions adopted by the valuer include the following:

(a) For the CGU to continue as a going concern, the CGU will successfully carry out all necessary activities for the development of its business;

(b) The availability of finance will not be a constraint on the forecast growth of the operations of the CGU in accordance with the projections;

(c) Market trends and conditions where the CGU operates will not deviate significantly from the economic forecasts in general;

(d) Key management, competent personnel and technical staff will all be retained to support the ongoing operations of the CGU;

(e) There will be no material changes in the business strategy of the CGU and its operating structure;

(f) Interest rates and exchange rates in the localities for the operation of the CGU will not differ materially from those presently prevailing;

(g) All relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the CGU operates or intends to operate will be officially obtained and are renewable upon expiry unless otherwise stated; and

(h) There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the CGU operates or intends to operate, which would adversely affect the revenues and profits attributable to the CGU.

## 17. Biological Assets

Movements of the biological assets are as follows:

| | Non-mated females HK$ | Mated females HK$ | Males for breeding HK$ | Total HK$ |
|---|---|---|---|---|
| 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 inventories | (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 inventories | — | (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:

| | **2016** | 2015 |
|---|---|---|
| Mated females | **49,654** | 27,242 |
| Males for breeding | **405** | 393 |
| At the end of the year | **50,059** | 27,635 |

Analysed for reporting purposes as follows:

| | **2016 HK$** | 2015 HK$ |
|---|---|---|
| Current assets | **29,483,556** | 18,509,725 |
| Non-current assets | **—** | — |
| At the end of the year | **29,483,556** | 18,509,725 |

## 17. Biological Assets *(Continued)*

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 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 qualifications and various experience 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 the 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, 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.

## 17. Biological Assets *(Continued)*

### Valuation methodology of biological assets *(Continued)*

#### 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

Estimation of costs per unit provided by the management are presented below:

| | DKK |
|---|---|
| Feed | 121 |
| Salary | 109 |
| Other variable costs (Note 1) | 10 |
| Lower value of male breeders (Note 2) | 30 |
| Pelting (Note 3) | 30 |
| Sales fee (Note 3) | 9 |
| Surplus from Kopenhagen Fur (Note 4) | 3-5% |

Note 1: Other variable costs include 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: Pelting and sales fee reflect incremental costs to sell for livestocks and are deducted from the assessed fair value.
Note 4: Surplus from Kopenhagen 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 pre-tax real discount rate applied for the valuation as at the Valuation Date is 13.04% (2015: 13.62%) after adjusting for tax and inflation. 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.

#### Result

Pursuant the investigation, analysis and valuation method employed by the Valuer, the fair value less costs to sell of mated females and males for breeding are approximately DKK500 and DKK550 respectively.

## 17. Biological Assets *(Continued)*

### 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.

## 17. Biological Assets *(Continued)*

### 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.

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

| | -5%<br>DKK | Base case<br>DKK | -5%<br>HK$ | Base case<br>HK$ |
|---|---|---|---|---|
| Net change in fair value less costs to sell | 1,489,620 | 25,049,750 | 1,753,283 | 29,483,556 |

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.

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

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.

| | Increase to 7<br>DKK | Base case<br>DKK | Increase to 7<br>HK$ | Base case<br>HK$ |
|---|---|---|---|---|
| Net change in fair value less costs to sell | 4,965,400 | 25,049,750 | 5,844,276 | 29,483,556 |

| | Decrease to 5<br>DKK | Base case<br>DKK | Decrease to 5<br>HK$ | Base case<br>HK$ |
|---|---|---|---|---|
| Net change in fair value less costs to sell | (4,965,400) | 25,049,750 | (5,844,276) | 29,483,556 |

## 18. Available-For-Sale Investment

| | 2016 HK$ | 2015 HK$ |
|---|---|---|
| Unlisted investment | **10,503,111** | 10,122,640 |

The investment referred to the guaranteed investment issued by financial institution. The carrying amount of the investment is determined with reference to cash value quoted from the statement issued by the financial institution. The investment has not been past due or impaired at the end of the reporting period.

## 19. Inventories

| | 2016 HK$ | 2015 HK$ |
|---|---|---|
| Trading goods | | |
| — Pelted skins | **49,698,325** | 23,571,011 |
| — Raw skins | **4,589,424** | 57,006,461 |
| | **54,287,749** | 80,577,472 |

There were HK$3,991,280 (2015: Nil) of write down of pelted skins and HK$1,817,299 (2015: Nil) of write down of raw skins charged to profit or loss during the year.

During the year, an amounts of HK$78,660,272 (2015: HK$30,405,144) were transferred from biological assets to inventories.

All of the inventories are carried at lower of cost or net realisable value at 31 March 2016 and 2015 respectively.

## 20. Trade and Other Receivables

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

## 20. Trade and Other Receivables *(Continued)*

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 bad and doubtful debts based on invoice date as at 31 March 2016 and 2015 are as follows:

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

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 bad and 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.

| | **2016** | 2015 |
|---|---|---|
| | **HK$** | HK$ |
| Trade receivables overdue by: | | |
| 0-60 days | **1,818,222** | 487,045 |
| 61-90 days | **—** | — |
| 91-120 days | **1,180,875** | — |
| Over 120 days | **—** | 50,020 |
| | **2,999,097** | 537,065 |

## 21. Loan Receivables

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

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. Allowance for bad and doubtful debts is 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 date 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 |
| | **104,032,082** | 89,496,983 |

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 a lien over the fur skins purchased by such loans.

## 21. Loan Receivables *(Continued)*

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.

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

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

| | 2016<br>HK$ | 2015<br>HK$ |
|---|---|---|
| Balance at beginning of the year | — | — |
| Provision for the year | 1,050,549 | — |
| Balance at end of the year | 1,050,549 | — |

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

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

## 22. Derivative Financial Instruments

The derivative financial instruments represent certain US$/DKK foreign exchange forward contracts held by the Group. The Group would sell United States dollars ("US$") to the bank in exchange for Danish Kroner ("DKK") at the agreed forward rate.

All the foreign exchange forward contracts matured during the current year ended 31 March 2016 and the Group did not enter into any new foreign exchange forward contracts.

| | **2016** | 2015 |
|---|---|---|
| | **HK$** | HK$ |
| Financial assets | | |
| Balance at the beginning of the year | **149,143** | — |
| Change in fair value of derivative financial instruments | **(149,143)** | 149,143 |
| Balance at the end of the year | **—** | 149,143 |
| Financial liabilities | | |
| Balance at the beginning of the year | **(150,258)** | — |
| Change in fair value of derivative financial instruments | **150,258** | (150,258) |
| Balance at the end of the year | **—** | (150,258) |

## 23. Bank Balances and Cash

The amounts comprise cash held by the Group and short-term bank deposits at market interest rates ranging from 0.001% to 0.253% (2015: from 0.001% to 0.01%) with an original maturity of three months or less. The fair value of these assets at 31 March 2016 approximates to the corresponding carrying amounts.

## 24. Trade and Other Payables

| | 2016 HK$ | 2015 HK$ |
|---|---|---|
| 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 |
| | **37,021,416** | 59,859,109 |

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 HK$ | 2015 HK$ |
|---|---|---|
| 0-60 days | **1,491,190** | — |
| 61-90 days | **—** | 4,711,246 |
| 91-120 days | **—** | — |
| Over 120 days | **3,764,157** | 30,193,008 |
| | **5,255,347** | 34,904,254 |

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

## 25. Bank Borrowings

| | 2016<br>HK$ | 2015<br>HK$ |
|---|---|---|
| Trust receipt loans | **59,517,687** | 101,666,325 |
| Term loans | **71,442,472** | 43,464,153 |
| | **130,960,159** | 145,130,478 |

The trust receipt loans and term loans were secured by corporate guarantee given by the Company. The trust receipt loans will be charged at variable interest rates ranging from 1.91% to 3.97% (2015: 2.23% to 2.90%), the term loans will be charged at interest rates ranging from 2.00% to 3.75% (2015: 2.00% to 3.62%). The trust receipt loans and term loans of HSBC are pledged by available-for-sale investment as disclosed in Note 18.

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

| | 2016<br>HK$ | 2015<br>HK$ |
|---|---|---|
| On demand or within one year | **117,703,418** | 117,978,932 |
| More than one year, but not exceeding two years (Note) | **9,118,537** | 13,898,853 |
| More than two years, but not exceeding five years (Note) | **3,805,136** | 11,629,843 |
| More than five years (Note) | **333,068** | 1,622,850 |
| | **130,960,159** | 145,130,478 |

Note: These bank loans that are not repayable within one year from the end of the reporting period but as these term loans include a clause that gives the lender the unconditional right to call the loans at any time, and according to HK-Int 5 which requires the classification of the whole term loans containing the repayment on demand clause as current liabilities, all the term loans were classified by the Group as current liabilities.

## 26. Obligations Under Finance Leases

The Group leases motor vehicle and plant and machinery under finance leases. The lease term ranges from 32 to 64 months. Interest rate underlying all obligations under finance leases is from nil to 4% per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for any contingent rental provisions. Under the terms of lease, the Group has the option to purchase the leased assets at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease.

| | 2016<br>HK$ | 2015<br>HK$ |
|---|---|---|
| Analysed for reporting purpose as: | | |
| Current liabilities | **293,116** | 194,897 |
| Non-current liabilities | **693,942** | 16,628 |
| | **987,058** | 211,525 |

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **2016<br>HK$** | 2015<br>HK$ | **2016<br>HK$** | 2015<br>HK$ |
| Amounts payable under finance leases: | | | | |
| Within one year | **300,809** | 200,268 | **293,116** | 194,897 |
| In more than one year but not more than two years | **701,957** | 16,689 | **693,942** | 16,628 |
| In more than two years but not more than five years | **–** | – | **–** | – |
| In more than five years | **–** | – | **–** | – |
| | **1,002,766** | 216,957 | **987,058** | 211,525 |
| Less: Future finance charges | **(15,708)** | (5,432) | **–** | – |
| Present value of lease obligations | **987,058** | 211,525 | **987,058** | 211,525 |
| Less: Amounts due for settlement within 12 months (shown under current liabilities) | | | **(293,116)** | (194,897) |
| Amounts due for settlement after 12 months | | | **693,942** | 16,628 |

The Group's obligations under finance leases are secured by the charge over the leased motor vehicle and plant and machinery.

Finance lease obligations are denominated in Hong Kong dollars and Danish Kroner.

## 27. 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 which will be due on 18 November 2019.

## 28. Deferred Taxation

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

| | Accelerated tax depreciation HK$ | Tax losses HK$ | Total HK$ |
|---|---|---|---|
| At 1 April 2014 | 127,081 | — | 127,081 |
| Charge to profit or loss for the year | (12,062) | (1,241,921) | (1,253,983) |
| At 31 March 2015 and 1 April 2015 | 115,019 | (1,241,921) | (1,126,902) |
| Charge to profit or loss for the year | (5,843) | 638,020 | 632,177 |
| At 31 March 2016 | 109,176 | (603,901) | (494,725) |

At the end of reporting period, the Group has unused tax losses of approximately HK$78,329,000 (2015: HK$10,607,000) available to set off against future profits that may be carried forward indefinitely. A deferred tax asset has been recognised in respect of approximately HK$3,660,000 (2015: HK$7,527,000) of such losses. No deferred tax has been recognised in respect of the remaining approximately HK$74,669,000 (2015: approximately HK$3,080,000) due to the unpredictability of future profit streams.

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balance for financial reporting purposes:

| | **2016 HK$** | 2015 HK$ |
|---|---|---|
| Deferred tax asset | **495,259** | 1,241,921 |
| Deferred tax liability | **(534)** | (115,019) |
| | **494,725** | 1,126,902 |

## 29. Share Capital

| | Notes | Number of ordinary shares of HK$0.01 each | HK$ |
|---|---|---|---|
| **Authorised:** | | | |
| At 1 April 2014, 31 March 2015 and 1 April 2015 | | 2,500,000,000 | 25,000,000 |
| Increase in authorised share capital | (a) | 7,500,000,000 | 75,000,000 |
| At 31 March 2016 | | 10,000,000,000 | 100,000,000 |
| **Issued and fully paid:** | | | |
| At 1 April 2014 | | 1,651,776,000 | 16,517,760 |
| Issue of shares 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) |
| 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 |
| At 31 March 2016 | | 2,835,074,400 | 28,350,744 |

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

(a) At the annual general meeting held on 24 July 2015, the 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 then 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.

## 29. Share Capital *(Continued)*

(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 was 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 the 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.

## 30. Pledge of Assets

As at 31 March 2016, the Group pledged land and building of approximately DKK26,471,000 (equivalent to HK$31,156,000) to secure debts of the Group.

In addition to the above, the Group also pledged other property, plant and equipment, biological assets and inventories of approximately DKK104,403,000 (approximately HK$122,881,000), and available-for-sale investment with carrying amount of approximately HK$10,503,000 (2015: HK$10,123,000) to secure banking facilities granted to the Group.

## 31. Warrants

On 8 August 2014, a total number of 200,000,000 unlisted warrants (the "Warrants") were issued by the Company at the issue price of HK$0.006 per unit of warrant with initial subscription price of HK$0.199 per share, subject to adjustments in accordance with the terms of the Warrants, to six independent third parties of the Group for a period of 24 months ending on 8 August 2016.

The subscription price and number of Warrants outstanding were adjusted to HK$0.166 and 162,000,000 on 31 July 2015 and to HK$0.162 and 166,000,000 on 27 August 2015 upon issue of the bonus shares and completion of the top-up placing.

During the year ended 31 March 2016, 15,000,000 ordinary shares were issued for cash at subscription price of HK$0.199 per share through the exercise of the Warrants. At 31 March 2016, there were 166,000,000 Warrants outstanding at subscription price of HK$0.162.

## 32. Operating Lease Commitment

### The Group as lessee

| | 2016<br>HK$ | 2015<br>HK$ |
|---|---|---|
| Minimum lease payments paid under operating leases during the year | | |
| Rented premises | **1,189,399** | 898,110 |
| Rented equipment | **146,078** | 25,309 |
| | **1,335,477** | 923,419 |

At 31 March 2016, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

| | 2016<br>HK$ | 2015<br>HK$ |
|---|---|---|
| Within one year | **551,256** | 675,047 |
| In the second to fifth years inclusive | **316,152** | — |
| Over five years | **267,867** | — |
| | **1,135,275** | 675,047 |

Operating lease payments represent rentals payable by the Group for certain of its office. Leases are negotiated for a term from 6 months to 10 years.

### The Group as lessor

Property rental income earned during the year was nil (2015: HK$173,279). The investment properties were transferred to property, plant and equipment during the year ended 31 March 2016.

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

| | 2016<br>HK$ | 2015<br>HK$ |
|---|---|---|
| Within one year | **–** | 45,767 |
| In the second to fifth years inclusive | **–** | 70,852 |
| Over five years | **–** | — |
| | **–** | 116,619 |

## 33. Share-Based Payment Transactions

The Company has two share option schemes namely, the Pre-IPO Share Option Scheme and the share option scheme ("Share Option Scheme, together with the Pre-IPO Share Option Scheme, the "Share Option Schemes"), both of which were adopted on 1 August 2012.

### 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 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 and remained outstanding under the Pre-IPO Share Option Scheme as at 31 March 2016 was 75,155,520 (2015: 66,389,600) which represented approximately 2.7% (2015: 3.3%) of the issued share capital of the Company as at 31 March 2016.

As at 31 March 2016 details of the share options granted under the Pre-IPO Share Option Scheme are as follows:

| | Option type | Date of grant | Exercise price | Adjusted exercise price | At 1.4.2015 | Granted during the year | Exercised during the year | Lapsed during the year | Adjustment for the number of share option due to the issuance of bonus share | Adjusted number of share option at 31.3.2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | HK$ | HK$ | | | | | (Note) | |
| Directors | A | 1 August 2012 | 0.208 | 0.120 | 47,923,200 | – | – | – | 9,584,640 | 57,507,840 |
| Employees | B | 1 August 2012 | 0.260 | 0.151 | 4,642,400 | – | (3,760,000) | – | 176,480 | 1,058,880 |
| Others | C | 1 August 2012 | 0.260 | 0.151 | 13,824,000 | – | – | – | 2,764,800 | 16,588,800 |
| Total | | | | | 66,389,600 | – | (3,760,000) | – | 12,525,920 | 75,155,520 |

Note: On 31 July 2015, the Company issued one bonus share for every five then existing shares. The issued share capital of the Company was therefore increased by 405,012,400 shares of HK$0.01 each accordingly. As a result of the issue of new shares by bonus issue, the exercise price and the number of the outstanding share options has been adjusted in accordance with the terms of the Pre-IPO Share Option Scheme adopted by the then sole shareholder of the Company on 1 August 2012; Rule 17.03(13) and Note to Rule 17.03(13) of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"); and the supplementary guidance issued by The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 5 September 2005 regarding adjustment of share options under the Listing Rules, with effect from 1 August 2015.

## 33. Share-Based Payment Transactions *(Continued)*

### Pre-IPO Share Option Scheme *(Continued)*

As at 31 March 2015 details of the share options granted under the Pre-IPO Share Option Scheme are as follows:

| | Option type | Date of grant | Exercise price HK$ | Adjusted exercise price (Note) HK$ | At 1.4.2014 | Granted during the year | Exercised during the year | Lapsed during the year | Adjustment for the number of share option due to the issuance of bonus share (Note) | Adjusted number of share option at 31.3.2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Directors | A | 1 August 2012 | 0.208 | 0.144 | 39,936,000 | – | – | – | 7,987,200 | 47,923,200 |
| Employees | B | 1 August 2012 | 0.260 | 0.181 | 6,336,000 | – | (2,960,800) | – | 1,267,200 | 4,642,400 |
| Others | C | 1 August 2012 | 0.260 | 0.181 | 11,520,000 | – | – | – | 2,304,000 | 13,824,000 |
| Total | | | | | 57,792,000 | – | (2,960,800) | – | 11,558,400 | 66,389,600 |

Note: On 25 July 2014, the Company issued one bonus share for every five then existing shares. The issued share capital of the Company was therefore increased by 330,355,200 shares of HK$0.01 each accordingly. As a result of the issue of new shares by bonus issue, the exercise price and the number of the outstanding share options has been adjusted in accordance with the terms of the Pre-IPO Share Option Scheme adopted by the then sole shareholder of the Company on 1 August 2012; Rule 23.03(13) and Note to Rule 23.03(13) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"); and the supplementary guidance issued by The Stock Exchange of Hong Kong Limited on 5 September 2005 regarding adjustment of share options under the GEM Listing Rules, with effect from 26 July 2014.

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<br>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<br>1/3 portion: 1 April 2014 to 31 July 2022<br>1/3 portion: 1 April 2015 to 31 July 2022 | 0.260 |
| C | 1 August 2012 | All portion: 1 May 2013 to 31 July 2022 | 0.260 |

## 33. Share-Based Payment Transactions *(Continued)*

### Pre-IPO Share Option Scheme *(Continued)*

The fair value of the granted options amounted to HK$6,923,241 which has been charged to profit or loss through the vesting period. The options were vested and no amount was recognised as share-based payments expenses during the year (2015: HK$64,978).

### 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 ("Share Options") must not exceed 10% of the total number of issued shares of the Company as at 18 July 2014, the date which the number of shares which may be issued under the Share Option Scheme was refreshed.

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 subjected to the approval of shareholders in a general meeting.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall not be less than the highest of:

(i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant;

(ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; or

(iii) the nominal value of a share.

## 33. Share-Based Payment Transactions *(Continued)*

### Share Option Scheme *(Continued)*

As at 31 March 2016 details of the share options granted under the Share Option Scheme are as follows:

| | Date of grant | Exercise price | Adjusted exercise price (Note) | At 1.4.2015 | Granted during the year | Exercised during the year | Lapsed during the year | Adjustment for the number of share option due to the issuance of bonus share (Note) | Adjusted number of share option at 31.3.2016 |
|---|---|---|---|---|---|---|---|---|---|
| | | HK$ | HK$ | | | | | | |
| **Directors** | 13 August 2013 | 0.408 | 0.283 | 14,700,000 | – | – | (17,640,000) | 2,940,000 | – |
| | 13 August 2014 | 0.226 | 0.188 | 13,000,000 | – | – | – | 2,600,000 | 15,600,000 |
| | 14 August 2014 | 0.218 | 0.182 | 6,000,000 | – | – | – | 1,200,000 | 7,200,000 |
| | 18 August 2015 | 0.249 | – | – | 41,000,000 | – | – | – | 41,000,000 |
| **Employees** | 13 August 2014 | 0.226 | 0.188 | 480,000 | – | – | – | 96,000 | 576,000 |
| | 18 August 2015 | 0.249 | – | – | 900,000 | – | (400,000) | – | 500,000 |
| Total | | | | 34,180,000 | 41,900,000 | – | (18,040,000) | 6,836,000 | 64,876,000 |

Note: On 31 July 2015, the Company issued one bonus share for every five then existing shares. The issued share capital of the Company was therefore increased by 405,012,400 shares of HK$0.01 each accordingly. As a result of the issue of new shares by bonus issue, the exercise price and the number of the outstanding share options has been adjusted in accordance with i) the terms of the Pre-IPO Share Option Scheme adopted by the then sole shareholder of the Company on 1 August 2012; ii) Rule 17.03(13) and Note to Rule 17.03(13) of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"); and iii) the supplementary guidance issued by The Stock Exchange of Hong Kong Limited on 5 September 2005 regarding adjustment of share options under the Listing Rules, with effect from 1 August 2015.

Exercise period of the Share Options is 24 months commencing from the date of grant.

## 33. Share-Based Payment Transactions *(Continued)*

### Share Option Scheme *(Continued)*

#### Share Options granted on 18 August 2015

The fair value of the options granted on 18 August 2015 was determined by an independent third party, Asset Appraisal Limited, by using Binomial Option Pricing Model, the assumptions used to determine the value for the share options were as follows:

| Vesting period | Underlying share value | Exercise multiple | Risk free rate | Volatility | Employee exit rate post-vesting | Dividend yield |
|---|---|---|---|---|---|---|
| Nil | HK$0.249 | 1.47-1.68 | 0.420% | 51.795% | Nil | 1.53% |

Note:

(a) exercise multiple defines the early exercise strategy.

(b) risk free rate represents the yields to maturity of Hong Kong Exchange Fund Note with respective terms to maturity as at the valuation date, 18 August 2015.

(c) dividend yield was calculated based on the closing price as at valuation date and the historical dividends per share.

(d) employee 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 options granted amounted to HK$2,380,839, which was charged to profit or loss on the date of grant.

## 33. Share-Based Payment Transactions *(Continued)*

### Share Option Scheme *(Continued)*

As at 31 March 2015 details of the share options granted under the Share Option Scheme are as follows:

| | Date of grant | Exercise price HK$ | Adjusted exercise price (Note) HK$ | At 1.4.2014 | Granted during the year | Exercised during the year | Lapsed during the year | Adjustment for the number of share option due to the issuance of bonus share (Note) | Adjusted number of share option at 31.3.2015 |
|---|---|---|---|---|---|---|---|---|---|
| **Directors** | 13 August 2013 | 0.408 | 0.340 | 12,250,000 | – | – | – | 2,450,000 | 14,700,000 |
| | 13 August 2014 | 0.226 | – | – | 13,000,000 | – | – | – | 13,000,000 |
| | 14 August 2014 | 0.218 | – | – | 6,000,000 | – | – | – | 6,000,000 |
| **Employee** | 13 August 2014 | 0.226 | – | – | 480,000 | – | – | – | 480,000 |
| Total | | | | 12,250,000 | 19,480,000 | – | – | 2,450,000 | 34,180,000 |

Note: On 25 July 2014, the Company issued one bonus share for every five then existing shares. The issued share capital of the Company was therefore increased by 330,355,200 shares of HK$0.01 each accordingly. As a result of the issue of new shares by bonus issue, the exercise price and the number of the outstanding share options has been adjusted in accordance with i) the terms of the Pre-IPO Share Option Scheme adopted by the then sole shareholder of the Company on 1 August 2012; ii) Rule 23.03(13) and Note to Rule 23.03(13) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"); and iii) the supplementary guidance issued by The Stock Exchange on 5 September 2005 regarding adjustment of share options under the GEM Listing Rules, with effect from 26 July 2014.

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

### Share Options granted on 13 August 2014

| Vesting period | Underlying share value | Exercise multiple | Risk free rate | Volatility | Employee exit rate post-vesting | Dividend yield |
|---|---|---|---|---|---|---|
| Nil | HK$0.226 | 1.27-1.47 | 0.301% | 42.245% | Nil | 1.33% |

## 33. Share-Based Payment Transactions *(Continued)*

### Share Option Scheme *(Continued)*

### Share Options granted on 14 August 2014

| Vesting period | Underlying share value | Exercise multiple | Risk free rate | Volatility | Employee exit rate post-vesting | Dividend yield |
|---|---|---|---|---|---|---|
| Nil | HK$0.218 | 1.47 | 0.272% | 42.284% | Nil | 1.38% |

Note:

(a) exercise multiple defines the early exercise strategy.

(b) risk free rate represents the yields to maturity of Hong Kong Exchange Fund Note with respective terms to maturity as at the valuation date, 13 August 2014 and 14 August 2014.

(c) dividend yield was calculated based on the closing price as at valuation date and the historical dividends per share.

(d) employee 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 and comparable companies' share price with reference to Bloomberg.

The fair value of the options granted amounted to HK$870,327, which was charged to profit or loss on the date of grant.

## 34. 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.

Pursuant to the relevant labour rules and regulations in the Denmark, the Group participates in a defined contribution retirement scheme organised by the local government, whereby the Group is required to make contributions to the pension fund scheme at a certain percentage of the employees' relevant basic salaries.

## 35. Related Party Transactions

**(a)** 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 | 2016 HK$ | 2015 HK$ |
|---|---|---|---|
| Universal Apparel Limited | Rental of premise | 576,000 | 576,000 |
| The Unikoi Company Limited | Consultancy fee | 396,400 | 393,600 |
| | | 972,400 | 969,600 |

### (b) Compensation of key management personnel

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

| | 2016 HK$ | 2015 HK$ |
|---|---|---|
| Short-term benefits | 4,342,867 | 3,439,366 |
| Post-employment benefits | 50,512 | 55,351 |
| Share-based payments | 2,352,428 | 857,051 |
| | 6,745,807 | 4,351,768 |

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.

## 36. 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 2015.

The capital structure of the Group consists of net debts, which includes, bank borrowings, obligations under finance leases and corporate bond disclosed in Notes 25, 26 and 27 respectively, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital, share premium, reserves and retained profit.

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, issuance of new share as well as the issuance of new debt or the redemption of existing debt. No changes were made in the objectives, policies or processes as compared to that in 2015.

## 36. Capital Risk Management *(Continued)*

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

| | 2016<br>HK$ | 2015<br>HK$ |
|---|---|---|
| Total borrowings: | | |
| Bank borrowings | **130,960,159** | 145,130,478 |
| Corporate bond | **10,000,000** | 10,000,000 |
| Obligations under finance leases | **987,058** | 211,525 |
| | **141,947,217** | 155,342,003 |
| Total assets | **471,132,839** | 521,935,027 |
| Gearing ratio | **30.13%** | 29.76% |

## 37. 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.

### 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 bank borrowings as a significant source of liquidity. At 31 March 2016, the Group has banking facilities with maximum limit of HK$280 million (2015: HK$181 million). Details of which are set out in Note 25.

## 37. 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 and the earliest date on which the Group can be required to pay.

| | **At 31 March 2016** | | | | |
|---|---|---|---|---|---|
| | **On demand HK$** | **Within 1 year HK$** | **2-5 years HK$** | **Over 5 years HK$** | **Total HK$** |
| Trade and other payables | **37,021,416** | **—** | **—** | **—** | **37,021,416** |
| Bank borrowings | | | | | |
| — due within one year | **130,960,159** | **—** | **—** | **—** | **130,960,159** |
| Corporate bond | **—** | **—** | **10,000,000** | **—** | **10,000,000** |
| Obligations under finance leases | **—** | **300,809** | **701,957** | **—** | **1,002,766** |
| | **167,981,575** | **300,809** | **10,701,957** | **—** | **178,984,341** |

| | At 31 March 2015 | | | | |
|---|---|---|---|---|---|
| | On demand HK$ | Within 1 year HK$ | 2-5 years HK$ | Over 5 years HK$ | Total HK$ |
| Trade and other payables | 59,859,109 | — | — | — | 59,859,109 |
| Bank borrowings | | | | | |
| — due within one year | 145,130,478 | — | — | — | 145,130,478 |
| Bank overdraft | 171,850 | — | — | — | 171,850 |
| Corporate bond | — | — | 10,000,000 | — | 10,000,000 |
| Obligations under finance leases | — | 200,268 | 16,689 | — | 216,957 |
| | 205,161,437 | 200,268 | 10,016,689 | — | 215,378,394 |

## 37. Financial Risk Management Objectives and Policies *(Continued)*

### Liquidity risk *(Continued)*

The following table details the Group's liquidity analysis for its derivative instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows from derivative instruments that are settled on a net basis.

| | Less than 1 month HK$'000 | 1-3 months HK$'000 | 3 months to 1 year HK$'000 | Total undiscounted cash flows HK$'000 |
|---|---|---|---|---|
| At 31 March 2016 | | | | |
| Derivatives — net settlement | | | | |
| Accumulator contract -outflow | – | – | – | – |
| | – | – | – | – |
| At 31 March 2015 | | | | |
| Derivatives — net settlement | | | | |
| Accumulator contract -outflow | 23,656,252 | — | — | 23,656,252 |
| | 23,656,252 | — | — | 23,656,252 |

### Market risk

#### (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 2016 (see Notes 23 and 25 for details). 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.

## 37. Financial Risk Management Objectives and Policies *(Continued)*

### Market risk *(Continued)*

#### (a) Interest rate risk *(Continued)*

***Sensitivity analysis***

The sensitivity analysis below has 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 points 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 2016 would decrease/increase by HK$270,629 (2015: decrease/increase by HK$43,235).

#### (b) 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 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. The management of the Group implemented foreign currency forward contracts to hedge the exposure to foreign currency risk during the year. Apart from the aforementioned foreign currency contracts, the management of the Group did not consider it is necessary to use foreign currency hedging policy 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, the management of the Group implemented foreign currency forward contracts which were entered in previous year to hedge the exposure to foreign currency risk due to the operation of the overseas subsidiary in Denmark. Apart from the aforementioned contracts, there are no other contracts being entered into as the fluctuation of the exchange rate of DKK is relatively stable during the year.

## 37. Financial Risk Management Objectives and Policies *(Continued)*

### Market risk *(Continued)*

#### (b) Foreign currency risk *(Continued)*

At the end of the reporting period, the carrying amount of the Group's monetary assets and monetary liabilities denominated in currencies other than the respective functional currencies of the relevant group entities are as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **HK$** | HK$ | **HK$** | HK$ |
| Danish Kroner | **179,761,907** | 68,484,706 | **–** | – |

The following table demonstrates the sensitivity analysis of the carrying amounts of significant monetary assets and monetary liabilities denominated in DKK at the end of the reporting period if there was a 5% (2015: 20%) change in the exchange rate of HK$ against DKK, with all other variables held constant, of the Group's profit or loss (after tax).

| | **Impact of DKK 2016 HK$** | Impact of DKK 2015 HK$ |
|---|---|---|
| Increase/decrease in profit or loss for the year (after tax) | **7,505,059** | 11,436,946 |

The following table demonstrates the sensitivity analysis of the foreign currency forward contracts denominated in US$ at the end of the reporting period if there was 5% (2015: 20%) change in the exchange rate of the DKK against the US$, with all other variables held constant, of the Group's profit or loss (after tax).

| | **Increase (decrease) in DKK rate** | **Increase (decrease) in profit or loss after tax** |
|---|---|---|
| | % | HK$ |
| **31 March 2016** | | |
| If DKK weakens against US$ | **(5%)** | **–** |
| If DKK strengthens against US$ | **5%** | **–** |
| 31 March 2015 | | |
| If DKK weakens against US$ | (20%) | (5,913,784) |
| If DKK strengthens against US$ | 20% | 3,942,523 |

## 37. Financial Risk Management Objectives and Policies *(Continued)*

### 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 consolidated statement of financial position.

In order to minimise the credit risk, the 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

As at 31 March 2016, the carrying amount of cash and cash equivalents, prepayments, deposits and other receivables, accrued liabilities and other payables approximated their fair values due to the short term maturities of these assets and liabilities. The directors consider that financial assets at fair value through profit or loss are included in the consolidated statement of financial position at amount approximating to their fair values.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

| | Fair value as at 31 March 2016 HK$ | Fair value as at 31 March 2015 HK$ | Fair value hierarchy | Valuation techniques and key inputs |
|---|---|---|---|---|
| Foreign currency forward contracts classified as derivative financial instruments | — | Assets 149,143 | Level 2 | Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties |
| | — | Liabilities 150,258 | | |

## 37. Financial Risk Management Objectives and Policies *(Continued)*

### Fair value (Continued)

| Financial liabilities | Fair value as at 31 March 2016 HK$ | Fair value as at 31 March 2015 HK$ | Fair value hierarchy | Valuation technique(s) and key input | Significant unobservable input(s) |
|---|---|---|---|---|---|
| Corporate bond | 10,000,000 | 10,000,000 | Level 3 | Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out from the Group, based on an appropriate discount rate | Discount rate of 5.5% |

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

## 38. Particulars of Principal Subsidiaries

| Name of subsidiaries | Place of incorporation | Paid up issued/ registered ordinary share capital HK$/US$/DKK | Percentage of equity attributable to the Company Direct | Percentage of equity attributable to the Company Indirect | Principal activities and place of operation |
|---|---|---|---|---|---|
| Loyal Speed Limited | British Virgin Islands | US$100 | – | 100% | Provision of fur brokerage and financing services/ Hong Kong |
| Trade Region Limited | British Virgin Islands | US$2 | 100% | – | Investment holdings/ Hong Kong |
| UKF (Denmark) A/S | Denmark | DKK500,000 | – | 100% | Mink farming/Denmark |
| UKF Finance Limited | Hong Kong | HK$1,000,000 | 100% | – | Inactive/Hong Kong |
| U.K. Fur Limited | British Virgin Islands | US$10,000 | – | 100% | Trading of fur skins/ Hong Kong |

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

## 39. Statement of Financial Position and Reserves of the Company

| | 2016 HK$ | 2015 HK$ |
|---|---|---|
| **Non-current assets** | | |
| Investment in subsidiaries | **8,200,000** | 8,200,000 |
| Deferred tax asset | **495,259** | 1,241,921 |
| | **8,695,259** | 9,441,921 |
| **Current assets** | | |
| Prepayment | **240,826** | 137,164 |
| Amounts due from subsidiaries | **112,537,173** | 142,925,986 |
| Loan to a subsidiary | **179,759,067** | 64,470,706 |
| Bank balances and cash | **719,615** | 189,208 |
| Tax recoverable | **559,903** | 559,903 |
| | **293,816,584** | 208,282,967 |
| **Current liabilities** | | |
| Accruals | **848,645** | 420,865 |
| Amounts due to a subsidiary | **919,935** | 994,290 |
| | **1,768,580** | 1,415,155 |
| **Net current assets** | **292,048,004** | 206,867,812 |
| **Total assets less current liabilities** | **300,743,263** | 216,309,733 |
| **Non-current liability** | | |
| Corporate bond | **10,000,000** | 10,000,000 |
| **Net assets** | **290,743,263** | 206,309,733 |
| **Capital and reserve** | | |
| Share capital | **28,350,744** | 20,063,020 |
| Reserves | **262,392,519** | 186,246,713 |
| | **290,743,263** | 206,309,733 |

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 28 June 2016 and are signed on its behalf by:

**WONG CHUN CHAU**
*DIRECTOR*

**KWOK YIN NING**
*DIRECTOR*

## 39. Statement of Financial Position and Reserve of the Company *(Continued)*

### Movement in the Company's reserves

| | Share premium HK$ | Share option reserve HK$ | Warrants reserve HK$ | Retained profit (accumulated losses) HK$ | Total HK$ |
|---|---|---|---|---|---|
| At 1 April 2014 | 182,167,594 | 4,811,474 | 203,180 | 1,573,970 | 188,756,218 |
| Profit and total other comprehensive income for the year | — | — | — | 8,418,319 | 8,418,319 |
| Issue of shares upon bonus issue | (3,340,452) | — | — | — | (3,340,452) |
| Exercise of pre-IPO share options | 674,906 | (168,609) | — | — | 506,297 |
| 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 | 9,681,375 | — | (231,375) | — | 9,450,000 |
| Warrants lapsed | — | — | (203,180) | 203,180 | — |
| Shares buy-back | (9,191,602) | — | — | — | (9,191,602) |
| At 31 March 2015 and 1 April 2015 | 179,991,821 | 5,578,169 | 694,125 | (17,402) | 186,246,713 |
| Profit and total other comprehensive income for the year | — | — | — | 3,827,839 | 3,827,839 |
| Issue of shares upon bonus issue | (4,100,124) | — | — | — | (4,100,124) |
| Exercise of pre-IPO share options | 857,081 | (214,121) | — | — | 642,960 |
| Issue of shares upon exercise of warrants | 2,904,412 | — | (69,412) | — | 2,835,000 |
| Issue of shares by top-up placing | 72,989,365 | — | — | — | 72,989,365 |
| 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** | **252,642,555** | **6,963,342** | **624,713** | **2,161,909** | **262,392,519** |

# FINANCIAL SUMMARY

## Results

| | 2012 HK$ | 2013 HK$ | 2014 HK$ | 2015 HK$ | **2016 HK$** |
|---|---|---|---|---|---|
| Revenue | 214,552,947 | 297,524,230 | 301,637,189 | 301,596,169 | **219,728,624** |
| Profit (loss) before tax | 19,840,976 | 26,853,759 | 39,992,696 | 38,072,633 | **(93,350,071)** |
| Income tax (expense) credit | (3,284,710) | 271,943 | (4,151,429) | (1,433,480) | **(1,091,701)** |
| Profit (loss) attributable to owners of the Company | 16,556,266 | 27,125,702 | 35,841,267 | 36,639,153 | **(94,441,772)** |

## Assets and Liabilities

| | 2012 HK$ | 2013 HK$ | 2014 HK$ | 2015 HK$ | **2016 HK$** |
|---|---|---|---|---|---|
| Total assets | 84,839,423 | 299,049,497 | 467,256,837 | 521,935,027 | **471,132,839** |
| Total liabilities | (56,183,934) | (128,024,398) | (195,785,383) | (221,178,407) | **(185,007,210)** |
| Owner's equity | 28,655,489 | 171,025,099 | 271,471,454 | 300,756,620 | **286,125,629** |

Note:

(i) The results for the year ended 31 March 2012 were extracted from the Prospectus of the Company dated 15 August 2012.

(ii) Total assets and total liabilities of the Group as at 31 March 2012 were extracted from the Prospectus of the Company dated 15 August 2012.