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## **UKF (HOLDINGS) LIMITED**

### **英裘(控股)有限公司**

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

(Stock Code: 01468)

### **ANNUAL RESULTS ANNOUNCEMENT**

#### **For the year ended 31 March 2018**

The board of Directors (the “Board”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2018 together with comparative figures for the corresponding year in 2017, as follows:

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

*For the year ended 31 March 2018*

	<i>Notes</i>	<b>2018</b> <i>HK\$</i>	2017 <i>HK\$</i>
Revenue	3	<b>200,268,358</b>	129,988,916
Cost of sales		<b>(122,718,837)</b>	(119,904,002)
Gross profit		<b>77,549,521</b>	10,084,914
Other income		<b>36,614,244</b>	739,646
Write back of inventories to net realisable value, net		—	432,664
Impairment of goodwill		—	(37,857,253)
Change in fair value less costs to sell of biological assets	9	<b>12,339,159</b>	39,514,830
Administrative expenses		<b>(115,534,293)</b>	(110,051,012)
Finance costs		<b>(11,511,953)</b>	(5,872,731)
Loss before tax	5	<b>(543,322)</b>	(103,008,942)
Income tax expense	6	<b>(7,366,169)</b>	(1,362,764)
Loss for the year		<b>(7,909,491)</b>	(104,371,706)

	<i>Notes</i>	<b>2018</b> <b>HK\$</b>	2017 <i>HK\$</i>
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of overseas operations		<b>(9,659,672)</b>	2,214,865
Change in fair value of available-for-sale investment		<b>345,778</b>	357,494
		<hr/>	<hr/>
Total other comprehensive (expense) income for the year, net of tax		<b>(9,313,894)</b>	2,572,359
		<hr/>	<hr/>
Total comprehensive expense for the year		<b>(17,223,385)</b>	(101,799,347)
		<hr/> <hr/>	<hr/> <hr/>
Loss for the year attributable to:			
Owners of the Company		<b>(6,710,390)</b>	(104,371,706)
Non-controlling interests		<b>(1,199,101)</b>	—
		<hr/>	<hr/>
		<b>(7,909,491)</b>	(104,371,706)
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive expense for the year attributable to:			
Owners of the Company		<b>(16,024,284)</b>	(101,799,347)
Non-controlling interests		<b>(1,199,101)</b>	—
		<hr/>	<hr/>
		<b>(17,223,385)</b>	(101,799,347)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share	8		
Basic		<b>(0.15) cents</b>	(3.29) cents
		<hr/>	<hr/>
Diluted		<b>(0.15) cents</b>	(3.29) cents
		<hr/>	<hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

		2018	2017
	Notes	HK\$	HK\$
<b>Non-current assets</b>			
Property, plant and equipment		128,127,426	123,520,966
Goodwill		127,350,323	125,926,167
Intangible assets		500,000	500,000
Available-for-sale investment		11,206,383	10,860,605
Deposits	10	2,335,184	1,519,464
		<u>269,519,316</u>	<u>262,327,202</u>
<b>Current assets</b>			
Biological assets	9	23,471,632	32,570,784
Inventories		45,799,310	59,885,918
Trade and other receivables	10	427,626,274	264,334,383
Loan receivables	11	3,500,000	5,922,036
Tax recoverable		501,120	1,657,494
Bank balances held on behalf of clients		91,568,658	85,007,587
Bank balances and cash		100,440,213	128,725,579
		<u>692,907,207</u>	<u>578,103,781</u>
<b>Current liabilities</b>			
Trade and other payables	12	124,376,252	104,819,571
Tax payables		10,849,341	5,988,669
Bank borrowings		168,999,904	168,155,950
Obligations under finance leases		374,547	276,661
		<u>304,600,044</u>	<u>279,240,851</u>

	<i>Notes</i>	<b>2018</b> <b>HK\$</b>	2017 <i>HK\$</i>
<b>Net current assets</b>		<b>388,307,163</b>	298,862,930
<b>Total assets less current liabilities</b>		<b>657,826,479</b>	561,190,132
<b>Non-current liabilities</b>			
Obligations under finance leases		<b>289,753</b>	382,319
Corporate bond		<b>10,000,000</b>	10,000,000
Promissory note		<b>99,244,183</b>	123,831,499
		<b>109,533,936</b>	134,213,818
<b>Net assets</b>		<b>548,292,543</b>	426,976,314
<b>Capital and reserves</b>			
Share capital	<i>13</i>	<b>45,569,230</b>	39,110,340
Reserves		<b>502,247,821</b>	387,865,974
Equity attributable to the owners of the Company		<b>547,817,051</b>	426,976,314
Non-controlling interests		<b>475,492</b>	—
<b>Total equity</b>		<b>548,292,543</b>	426,976,314

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Attributable to the owners of the Company										Attributable to non-controlling interests	Total
	Share capital	Share premium	Merger reserve	Share option reserve	Warrant reserve	Investments revaluation reserve	Translation reserve	Retained profit (accumulated losses)	Sub-total			
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 April 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	—	286,125,629	
Loss for the year	—	—	—	—	—	—	—	(104,371,706)	(104,371,706)	—	(104,371,706)	
Other comprehensive income for the year												
Exchange difference on translation of overseas operation	—	—	—	—	—	—	2,214,865	—	2,214,865	—	2,214,865	
Change in fair value of available-for-sale investment	—	—	—	—	—	357,494	—	—	357,494	—	357,494	
Total comprehensive (expense) income for the year	—	—	—	—	—	357,494	2,214,865	(104,371,706)	(101,799,347)	—	(101,799,347)	
Exercise of share options	399,648	8,114,313	—	(1,657,565)	—	—	—	—	6,856,396	—	6,856,396	
Issue of shares upon exercise of warrants	1,659,948	25,855,906	—	—	(624,693)	—	—	—	26,891,161	—	26,891,161	
Warrants lapsed	—	—	—	—	(20)	—	—	20	—	—	—	
Issue of shares by placing	2,100,000	35,511,000	—	—	—	—	—	—	37,611,000	—	37,611,000	
Issue of Consideration Shares	6,600,000	164,691,475	—	—	—	—	—	—	171,291,475	—	171,291,475	
At 31 March 2017 and 1 April 2017	39,110,340	486,815,249	(7,122,000)	5,305,777	—	(1,008,832)	2,701,606	(98,825,826)	426,976,314	—	426,976,314	
Loss for the year	—	—	—	—	—	—	—	(6,710,390)	(6,710,390)	(1,199,101)	(7,909,491)	
Other comprehensive (expense) income for the year												
Exchange difference on translation of overseas operation	—	—	—	—	—	—	(9,659,672)	—	(9,659,672)	—	(9,659,672)	
Change in fair value of available-for-sale investment	—	—	—	—	—	345,778	—	—	345,778	—	345,778	
Total comprehensive (expense) income for the year	—	—	—	—	—	345,778	(9,659,672)	(6,710,390)	(16,024,284)	(1,199,101)	(17,223,385)	
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	101,693	101,693	
Capital injection by non-controlling interests	—	—	—	—	—	—	—	—	—	1,572,900	1,572,900	
Exercise of share options	410,000	12,123,075	—	(2,324,075)	—	—	—	—	10,209,000	—	10,209,000	
Issue of shares by placing	6,048,890	120,607,131	—	—	—	—	—	—	126,656,021	—	126,656,021	
Share options lapsed	—	—	—	(31,535)	—	—	—	31,535	—	—	—	
At 31 March 2018	45,569,230	619,545,455	(7,122,000)	2,950,167	—	(663,054)	(6,958,066)	(105,504,681)	547,817,051	475,492	548,292,543	

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	<i>Notes</i>	<b>2018</b>	2017
		<b>HK\$</b>	<b>HK\$</b>
<b>Operating activities</b>			
Loss before tax		<b>(543,322)</b>	(103,008,942)
Adjustments for:			
Depreciation		<b>16,464,446</b>	13,115,931
Loss on disposal of property, plant and equipment, net	5	—	1,454,797
Interest expenses		<b>11,511,953</b>	5,872,731
Write back of inventories to net realisable value, net	5	—	(432,664)
Impairment of goodwill		—	37,857,253
Loss on early redemption of promissory note		<b>5,158,029</b>	—
(Write back of) allowance for bad and doubtful debts	5	<b>(718,023)</b>	5,752,805
Bad debts	5	<b>3,040,805</b>	28,196,082
Bank interest income		<b>(54,761)</b>	(5,288)
Adjustment for amortisation of prepaid premium		<b>108,232</b>	108,232
Change in fair value less costs to sell of biological assets	9	<b>(12,339,159)</b>	(39,514,830)
Write off of other receivables		—	182,736
Write off of property, plant and equipment		<b>108,750</b>	—
		<hr/>	<hr/>
Operating cash flows before movements in working capital		<b>22,736,950</b>	(50,421,157)
Increase in biological assets		<b>(32,994,819)</b>	(32,780,157)
Decrease in inventories		<b>80,490,035</b>	59,914,677
(Increase) decrease in trade and other receivables		<b>(161,850,127)</b>	31,428,817
(Increase) decrease in deposits		<b>(815,720)</b>	1,113,135
(Increase) decrease in loan receivables		<b>(618,769)</b>	68,000,820
Increase in bank balances held on behalf of clients		<b>(6,561,071)</b>	(37,227,952)
Increase in trade and other payables		<b>18,463,068</b>	902,520
		<hr/>	<hr/>
Cash (used in) generated from operating activities		<b>(81,150,453)</b>	40,930,703
Interest paid		<b>(362,212)</b>	(1,051)
Hong Kong Profits Tax paid, net		<b>(1,327,529)</b>	(406,791)
		<hr/>	<hr/>
<b>Net cash (used in) generated from operating activities</b>		<b>(82,840,194)</b>	40,522,861

	<i>Notes</i>	<b>2018</b> <i>HK\$</i>	2017 <i>HK\$</i>
<b>Investing activities</b>			
Bank interest received		54,761	5,288
Purchase of property, plant and equipment		(2,844,047)	(7,583,758)
Proceeds from disposal of property, plant and equipment		—	125,898
Net cash (outflow) inflow from acquisition of a subsidiary		(1,258,568)	23,207,499
		<hr/>	<hr/>
<b>Net cash (used in) generated from investing activities</b>		<b>(4,047,854)</b>	15,754,927
		<hr/>	<hr/>
<b>Financing activities</b>			
Partial redemption of promissory note		(36,700,000)	—
New bank borrowings		437,135,159	140,304,362
Repayments of bank borrowings		(444,120,983)	(210,827,482)
Proceeds from issue of shares upon exercise of share options	<i>13</i>	10,209,000	6,856,396
Proceeds from issue of shares upon exercise of warrants		—	26,891,161
Net proceeds from placing of shares	<i>13</i>	126,656,021	37,611,000
Issuance expense for Consideration Shares		—	(308,525)
Inception of obligations under finance leases		255,129	—
Repayment of obligations under finance leases		(351,361)	(284,706)
Interest paid		(4,183,324)	(3,627,502)
Capital injection from non-controlling interests		1,572,900	—
		<hr/>	<hr/>
<b>Net cash generated from (used in) financing activities</b>		<b>90,472,541</b>	(3,385,296)
		<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>		<b>3,584,493</b>	52,892,492
<b>Cash and cash equivalents at beginning of the year</b>		<b>128,725,579</b>	66,138,753
Effect of foreign exchange rate changes, net		(31,869,859)	9,694,334
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year</b>		<b>100,440,213</b>	128,725,579
		<hr/> <hr/>	<hr/> <hr/>
<b>Cash and cash equivalents, represented by</b>			
Bank balances and cash		<b>100,440,213</b>	128,725,579
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

### 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, fur skins brokerage, provision of securities brokerage services, provision of wealth management service and money lending.

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### Amendments to HKASs and HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to Hong Kong Accounting Standards (“HKASs”) and HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle relating to Amendments to HKFRS 12 Disclosure of Interests in Other Entities

Except as described below, the application of the amendments to HKASs and HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### *Amendments to HKAS 7 Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.



Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

### **New and amendments to HKASs and HKFRSs in issue but not yet effective**

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

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>2</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRSs	Annual Improvement to HKFRSs 2014-2016 Cycle except Amendments to HKFRS 12 <sup>1</sup>
Amendments to HKFRSs	Annual Improvement to HKFRSs 2015-2017 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

The Group is assessing the full impact of these new and amendments to HKASs and HKFRSs. According to management's preliminary assessment, other than the impact of HKFRS 9, 15 and 16 stated below, none of these is expected to have a significant effect on the consolidated financial statements of the Group.

### *HKFRS 9 Financial Instruments*

The Group's guaranteed investment currently classified as available-for-sale ("AFS") financial assets and measured at fair value with change recognised in other comprehensive income will be reclassified to financial assets at fair value through profit or loss ("FVTPL") under HKFRS 9. Related fair value loss of HK\$663,054 will have to be transferred from investments revaluation reserve to accumulated losses on 1 April 2018.

Other financial assets will continue to be measured on the same bases as are currently measured under HKAS 39.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts.

Based on the assessments undertaken to date, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 April 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables from securities brokerage segment. Such further impairment recognised under the expected credit loss model would increase the opening accumulated losses at 1 April 2018.

### *HKFRS 15 Revenue from Contracts with Customers*

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of goods or services is transferred to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management has assessed the effects of applying the new standard on the Group's consolidated financial statements and does not anticipate the application of HKFRS 15 have a material impact on the timing and amounts of revenue recognised in the respective reporting periods. However, the application of HKFRS 15 may result in more disclosure in the consolidated financial statements of the Group.

## *HKFRS 16 Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

The right-to-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of HK\$10,328,178. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the Group is also considering the treatment of the refundable rental deposits paid under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-to-use assets.

### 3. REVENUE

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

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Trading of fur skins	48,382,811	52,380,453
Mink farming	69,318,610	65,049,584
Fur skins brokerage	1,180,582	5,693,695
Commission income from		
— securities brokerage	19,641,947	1,186,946
— underwriting and placing	20,497,004	2,245,276
Interest income from securities clients	40,962,755	3,432,962
Other loss arising from error trades	(19,324)	—
Others	303,973	—
	<u>200,268,358</u>	<u>129,988,916</u>

### 4. SEGMENT INFORMATION

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

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

Securities brokerage	—	Operation of securities brokerage, margin financing, underwriting and placing services
Trading of fur skins	—	Trading of fur skins of foxes and minks
Fur skins brokerage	—	Provision of fur brokerage and financing services
Mink farming	—	Provision of breeding, farming and sale of livestock and pelted skins
All other segments	—	Money lending and provision of wealth management services

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

**For the year ended 31 March 2018**

	Securities brokerage <i>HK\$</i>	Trading of fur skins <i>HK\$</i>	Fur skins brokerage <i>HK\$</i>	Mink farming <i>HK\$</i>	All other segments <i>HK\$</i>	Total <i>HK\$</i>
Revenue	<u>81,082,382</u>	<u>48,382,811</u>	<u>1,180,582</u>	<u>69,318,610</u>	<u>303,973</u>	<u>200,268,358</u>
RESULTS						
Segment results	<u>81,082,382</u>	<u>2,164,367</u>	<u>1,180,582</u>	<u>(7,181,783)</u>	<u>303,973</u>	<u>77,549,521</u>
Other income	2,126,084	29,882	184,040	34,274,238	—	36,614,244
Change in fair value less cost to sell of biological assets	—	—	—	12,339,159	—	12,339,159
Write back of bad and doubtful debts	718,023	—	—	—	—	718,023
Bad debts	—	—	(3,040,805)	—	—	(3,040,805)
Operating expenses	(37,824,751)	(3,409,700)	(1,565,744)	(43,198,531)	(2,936,323)	(88,935,049)
Unallocated corporate expenses						(24,276,462)
Finance costs						<u>(11,511,953)</u>
Loss before tax						(543,322)
Income tax expense						<u>(7,366,169)</u>
Loss for the year						<u><u>(7,909,491)</u></u>

	Securities brokerage <i>HK\$</i>	Trading of fur skins <i>HK\$</i>	Fur skins brokerage <i>HK\$</i>	Mink farming <i>HK\$</i>	All other segments <i>HK\$</i>	Total <i>HK\$</i>
<b>ASSETS</b>						
Segment assets	597,161,510	30,062,765	209,234	200,456,278	6,665,889	834,555,676
Unallocated corporate assets						<u>127,870,847</u>
Total assets						<u><u>962,426,523</u></u>
<b>LIABILITIES</b>						
Segment liabilities	201,903,251	4,165,331	—	64,994,548	—	271,063,130
Unallocated corporate liabilities						<u>143,070,850</u>
						<u><u>414,133,980</u></u>

*Other information*

	Securities brokerage <i>HK\$</i>	Trading of fur skins <i>HK\$</i>	Fur skins brokerage <i>HK\$</i>	Mink farming <i>HK\$</i>	All other segments <i>HK\$</i>	Total <i>HK\$</i>
Additions of property, plant and equipment	542,475	—	—	530,742	1,741,733	2,814,950
Write off of property, plant and equipment	—	108,750	—	—	—	108,750
Depreciation	<u>2,579,388</u>	<u>640,022</u>	<u>—</u>	<u>13,243,776</u>	<u>—</u>	<u>16,463,186</u>

**For the year ended 31 March 2017**

	Securities brokerage <i>HK\$</i>	Trading of fur skins <i>HK\$</i>	Fur skins brokerage <i>HK\$</i>	Mink farming <i>HK\$</i>	Total <i>HK\$</i>
Revenue	6,865,184	52,380,453	5,693,695	65,049,584	129,988,916
<b>RESULTS</b>					
Segment results	6,865,184	5,195,689	5,693,695	(7,669,654)	10,084,914
Other income	116,234	251,209	269,690	102,513	739,646
Write back of inventories to net realisable value, net	—	432,664	—	—	432,664
Impairment of goodwill	—	—	(37,857,253)	—	(37,857,253)
Change in fair value less costs to sell of biological assets	—	—	—	39,514,830	39,514,830
Allowance for bad and doubtful debts	(825,732)	—	(4,927,073)	—	(5,752,805)
Bad debts	—	—	(28,196,082)	—	(28,196,082)
Operating expenses	(5,446,293)	(4,407,639)	(4,285,200)	(53,378,643)	(67,517,775)
Unallocated corporate expenses					(8,584,350)
Finance costs					(5,872,731)
Loss before tax					(103,008,942)
Income tax expense					(1,362,764)
Loss for the year					<u>(104,371,706)</u>

	Securities brokerage <i>HK\$</i>	Trading of fur skins <i>HK\$</i>	Fur skins brokerage <i>HK\$</i>	Mink farming <i>HK\$</i>	Total <i>HK\$</i>
<b>ASSETS</b>					
Segment assets	446,607,478	38,196,818	5,971,949	199,111,917	689,888,162
Unallocated corporate assets					<u>150,542,821</u>
Total assets					<u><u>840,430,983</u></u>
<b>LIABILITIES</b>					
Segment liabilities	186,643,219	31,120,261	—	45,123,493	262,886,973
Unallocated corporate liabilities					<u>150,567,696</u>
Total liabilities					<u><u>413,454,669</u></u>

*Other information*

	Securities brokerage <i>HK\$</i>	Trading of fur skins <i>HK\$</i>	Fur skins brokerage <i>HK\$</i>	Mink farming <i>HK\$</i>	Total <i>HK\$</i>
Additions of property, plant and equipment	5,183,523	—	—	2,400,235	7,583,758
Depreciation	424,857	669,688	2,589	12,018,797	13,115,931
(Gain)/loss on disposal of property, plant and equipment	<u>1,548,134</u>	<u>—</u>	<u>1,628</u>	<u>(94,965)</u>	<u>1,454,797</u>

Segment results represent 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 prepayments and deposits, available-for-sale investment, bank balances and cash, tax recoverable and deferred tax asset are allocated to reportable segments. Goodwill is allocated to segments of wealth management and securities brokerage. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segment; and
- all liabilities are allocated to reportable segments other than accrued expenses and other payable, obligations under finance leases, corporate bond, tax payables, promissory note 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 markets are detailed below:

	<b>2018</b>	2017
	<i>HK\$</i>	<i>HK\$</i>
The People's Republic of China (the "PRC")	<b>38,971,184</b>	56,791,184
Europe	<b>79,381,271</b>	65,049,584
Hong Kong	<b>81,915,903</b>	8,148,148
	<b>200,268,358</b>	129,988,916

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

	<b>Carrying amount of segment assets</b>		<b>Additions to property, plant and equipment</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Hong Kong	<b>761,970,245</b>	638,667,320	<b>2,313,305</b>	5,183,523
Denmark	<b>200,456,278</b>	201,763,663	<b>530,742</b>	2,400,235
	<b>962,426,523</b>	840,430,983	<b>2,844,047</b>	7,583,758

## Information about major customers

For the year ended 31 March 2018, included in revenue arising from trading of fur skins and mink farming of approximately HK\$117,701,421 (2017: HK\$117,430,037) are revenue of approximately HK\$79,381,000 (2017: HK\$104,889,000) generated from sales to the Group's largest (2017: top three) customer. Total amount of revenue from these customers for the two financial years ended 31 March 2018 and 2017 are as follows:

	<b>2018</b>	2017
	<b>HK\$</b>	HK\$
Customer A (Segment: Trading of fur skins)	—*	20,506,000
Customer B (Segment: Trading of fur skins)	—*	19,333,000
Customer C (Segment: Trading of fur skins & mink farming)	<b>79,381,000</b>	65,050,000
	<b>79,381,000</b>	104,889,000

\* These customers contributed less than 10% to the Group's revenue for the year ended 31 March 2018.

No other single customer contributed 10% or more to the Group's revenue for both years ended 31 March 2018 and 2017.

## 5. LOSS BEFORE TAX

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

	<b>2018</b>	2017
	<b>HK\$</b>	HK\$
Auditor's remuneration	<b>827,000</b>	1,004,000
Bad debts	<b>3,040,805</b>	28,196,082
Cost of inventories recognised as expenses	<b>115,775,307</b>	113,010,525
Depreciation	<b>16,464,446</b>	13,115,931
Net foreign exchange (gain) loss	<b>(31,796,015)</b>	10,928,237
Staff costs (including directors' remuneration)		
— salaries and allowance	<b>45,387,271</b>	23,293,420
— retirements benefits scheme contributions	<b>1,557,364</b>	1,590,151
Loss on disposal of property, plant and equipment, net	—	1,454,797
Write off of property, plant and equipment	<b>108,750</b>	—
Operating lease payments	<b>5,697,085</b>	2,257,588
Write back of inventories to net realisable value, net	—	(432,664)
Impairment of goodwill	—	37,857,253
(Write back of) allowance for bad and doubtful debts	<b>(718,023)</b>	5,752,805

## 6. INCOME TAX EXPENSE

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Current tax		
Hong Kong Profits Tax	7,632,706	670,086
Other jurisdictions	—	—
	<u>7,632,706</u>	<u>670,086</u>
(Over) under provision in prior years		
Hong Kong Profits Tax	(266,537)	197,953
Other jurisdictions	—	—
	<u>(266,537)</u>	<u>197,953</u>
Deferred tax expense		
Current year	—	494,725
	<u>—</u>	<u>494,725</u>
Total income tax expense for the year	<u><u>7,366,169</u></u>	<u><u>1,362,764</u></u>

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

Subsidiary in Denmark is subject to Denmark Corporation Tax at 22% for the reporting year (2017: 22%).

The income tax expense for the year can be reconciled to the loss before tax as follows:

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Loss before tax	<u>(543,322)</u>	<u>(103,008,942)</u>
Tax at Hong Kong Profits Tax of 16.5%	(89,648)	(16,996,476)
Tax effect of income not taxable for tax purposes	(5,269,667)	(1,003,583)
Tax effect of expenses not deductible for tax purposes	2,956,203	8,197,958
Tax effect on tax losses not recognised	11,388,315	12,617,758
(Over) under provision in prior years	(266,537)	197,953
Utilisation of tax losses previously not recognised	(27,242)	(35,365)
Effect of different tax rates of group entities operating in other jurisdictions	(1,295,255)	(1,615,481)
Tax effect on tax reduction	<u>(30,000)</u>	<u>—</u>
Income tax expense for the year	<u><u>7,366,169</u></u>	<u><u>1,362,764</u></u>

## 7. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 March 2018 and 2017, nor has any dividend been proposed since the end of the reporting period.

## 8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the loss attributable to owners of the Company for the year ended 31 March 2018 of HK\$6,710,390 (2017: loss of HK\$104,371,706) and the weighted average number of ordinary shares of 4,330,137,891 (2017: 3,172,664,651 shares).

### Diluted loss per share

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

## 9. BIOLOGICAL ASSETS

Movements of the biological assets are as follows:

	<b>Mated females</b> <i>HK\$</i>	<b>Males for breeding</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
At 1 April 2016	29,221,379	262,177	29,483,556
Increase due to raising (Feeding cost and others)	19,195,207	13,687,739	32,882,946
Change in fair value less costs to sell	10,634,390	28,880,440	39,514,830
Decrease due to sale	—	(102,789)	(102,789)
Transferred to inventories	(25,200,094)	(42,422,391)	(67,622,485)
Exchange alignment	(1,571,147)	(14,127)	(1,585,274)
	<hr/>	<hr/>	<hr/>
At 31 March 2017 and 1 April 2017	32,279,735	291,049	32,570,784
Increase due to raising (Feeding cost and others)	19,891,885	13,049,691	32,941,576
Change in fair value less costs to sell	(10,771,906)	23,111,065	12,339,159
Increase due to purchase	—	53,243	53,243
Transferred to inventories	(22,582,440)	(36,440,077)	(59,022,517)
Exchange alignment	4,553,371	36,016	4,589,387
	<hr/>	<hr/>	<hr/>
At 31 March 2018	<u>23,370,645</u>	<u>100,987</u>	<u>23,471,632</u>

The number of biological assets is as follows:

	<b>2018</b>	2017
Mated females	<b>47,018</b>	52,510
Males for breeding	<b>131</b>	434
	<hr/>	<hr/>
At the end of the year	<b>47,149</b>	52,944
	<hr/> <hr/>	<hr/> <hr/>

Analysis for reporting purposes as follows:

	<b>2018</b>	2017
	<b>HK\$</b>	<b>HK\$</b>
Current assets	<b>23,471,632</b>	32,570,784
Non-current assets	—	—
	<hr/>	<hr/>
At the end of the year	<b>23,471,632</b>	32,570,784
	<hr/> <hr/>	<hr/> <hr/>

Mated females represent the female minks which are primarily held for further growth for the production of mink. The 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 qualification of Valuer**

The Group's biological assets were independently valued by Graval Consulting Limited ("Valuer") as at 31 March 2018 (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), CFA charterholders 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 and unit pelting, and the estimated price for skins after pelting.

### *Valuation of males for breeding*

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 for the years 2018 and 2017 provided by the management are presented below:

	<b>2018</b>	2017
	<b>DKK*</b>	DKK*
Feed	<b>123</b>	122
Salary	<b>70</b>	110
Other variable costs ( <i>Note 1</i> )	<b>10</b>	10
Lower value of male breeders ( <i>Note 2</i> )	<b>30</b>	30
Pelting ( <i>Note 3</i> )	<b>31</b>	30
Sales fee ( <i>Note 3</i> )	<b>9</b>	9
Surplus from Copenhagen Fur ( <i>Note 4</i> )	<b>3%</b>	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 livestock and are deducted from the assessed fair value.

*Note 4:* Surplus from Copenhagen Fur received by farmers from the auction body.

\*: DKK stands for Danish Krone

### *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 12.68% (2017: 12.06%). The average skins price applied for a mated female and a male are approximately DKK289 (2017: DKK358) and DKK615 (2017: DKK620) respectively. The birth rate applied for mated females is 5 (2017: 6).

### *Result*

Pursuant to the above analysis and valuation method employed by the Valuer, the fair values less costs to sell for mated female and a male for breeding are approximately DKK386 and DKK594 respectively.

## **Valuation assumptions**

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

- The biological assets are properly managed with necessary care and are receiving proper veterinary care to ensure their normal growth;
- There will be no force majeure, including natural disasters that could adversely impact the condition of biological assets;
- As a going concern, the business enterprise will successfully carry out all necessary activities for the development of its business;
- Market trends and conditions where the business enterprise operates will not deviate significantly from the economic forecasts in general;
- Key management, competent personnel and technical staff will all be retained to support ongoing operation of the business enterprise;
- There will be no material changes in the business strategy of the business enterprise and its expected operating structure;
- Interest rates and exchange rates in the localities for the operation of the business enterprise will not differ materially from those presently prevailing;
- 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 business enterprise operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and
- 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.



## 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's net change in fair value of biological assets to an increase or decrease by 5% in the discount rate applied for the year ended 31 March 2018.

	<b>+5%</b> <b><i>DKK</i></b>	<b>Base case</b> <b><i>DKK</i></b>	<b>+5%</b> <b><i>HK\$</i></b>	<b>Base case</b> <b><i>HK\$</i></b>
Net change in fair value less costs to sell	(929,030)	18,085,708	(1,205,695)	23,471,632
	<b>-5%</b> <b><i>DKK</i></b>	<b>Base case</b> <b><i>DKK</i></b>	<b>-5%</b> <b><i>HK\$</i></b>	<b>Base case</b> <b><i>HK\$</i></b>
Net change in fair value less costs to sell	1,069,495	18,085,708	1,387,990	23,471,632

The following table illustrates the sensitivity of the Group's net change in fair value of biological assets to an increase or decrease by 5% in the discount rate applied for the year ended 31 March 2017.

	<b>+5%</b> <b><i>DKK</i></b>	<b>Base case</b> <b><i>DKK</i></b>	<b>+5%</b> <b><i>HK\$</i></b>	<b>Base case</b> <b><i>HK\$</i></b>
Net change in fair value less costs to sell	(1,575,300)	29,140,900	(1,760,713)	32,570,784
	<b>-5%</b> <b><i>DKK</i></b>	<b>Base case</b> <b><i>DKK</i></b>	<b>-5%</b> <b><i>HK\$</i></b>	<b>Base case</b> <b><i>HK\$</i></b>
Net change in fair value less costs to sell	2,100,400	29,140,900	2,347,617	32,570,784

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's net change in fair value of biological assets to an increase or decrease by 1 in the birth rate applied for the year ended 31 March 2018.

	<b>Increase by 1 DKK</b>	<b>Base case DKK</b>	<b>Increase by 1 HK\$</b>	<b>Base case HK\$</b>
Net change in fair value less costs to sell	3,733,055	18,085,708	4,844,759	23,471,632
	<b>Decrease by 1 DKK</b>	<b>Base case DKK</b>	<b>Decrease by 1 HK\$</b>	<b>Base case HK\$</b>
Net change in fair value less costs to sell	(3,887,791)	18,085,708	(5,045,575)	23,471,632

The following table illustrates the sensitivity of the Group's net change in fair value of biological assets to an increase or decrease by 1 in the birth rate applied for the year ended 31 March 2017.

	<b>Increase/ decrease by 1 DKK</b>	<b>Base case DKK</b>	<b>Increase/ decrease by 1 HK\$</b>	<b>Base case HK\$</b>
Net change in fair value less costs to sell	+/-5,776,100	29,140,900	+/-6,455,947	32,570,784

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's net change in fair value of biological assets to an increase or decrease by 5% in average skins price applied for the year ended 31 March 2018.

	<b>Increase/ decrease by 5% DKK</b>	<b>Base case DKK</b>	<b>Increase/ decrease by 5% HK\$</b>	<b>Base case HK\$</b>
Net change in fair value less costs to sell	+/-5,455,580	18,085,708	+/-7,080,252	23,471,632

The following table illustrates the sensitivity of the Group's net change in fair value of biological assets to an increase or decrease by 5% in average skins price applied for the year ended 31 March 2017.

	<b>+5% DKK</b>	<b>Base case DKK</b>	<b>+5% HK\$</b>	<b>Base case HK\$</b>
Net change in fair value less costs to sell	7,368,760	29,140,900	8,236,063	32,570,784
	<b>-5% DKK</b>	<b>Base case DKK</b>	<b>-5% HK\$</b>	<b>Base case HK\$</b>
Net change in fair value less costs to sell	(6,839,320)	29,140,900	(7,644,308)	32,570,784

## 10. TRADE AND OTHER RECEIVABLES/DEPOSITS

	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
Trade receivables from:		
Securities brokerage business ( <i>Note a</i> )		
— Cash clients	12,210,390	12,545,091
— Margin clients	350,069,591	218,352,906
— Clearing house and brokers	14,015,803	351,816
Trading of fur skins business ( <i>Note b</i> )	29,894,482	26,346,590
Mink farming business ( <i>Note b</i> )	7,974,373	—
Fur skins brokerage business ( <i>Note b</i> )	209,234	49,913
	<hr/>	<hr/>
	414,373,873	257,646,316
Less: Allowance for bad and doubtful debts	(107,709)	(825,732)
	<hr/>	<hr/>
	414,266,164	256,820,584
Other receivables and deposits:		
Amount due from non-controlling interests	1,572,900	—
Deposit with auction houses and suppliers	7,036,266	3,207,500
Prepayment	1,668,939	1,581,825
Rental, utilities and other deposits	1,857,868	1,244,464
Statutory deposit	477,316	275,000
Consideration receivable for disposal of motor vehicle	—	2,480,000
Others	3,082,005	244,474
	<hr/>	<hr/>
	429,961,458	265,853,847
	<hr/> <hr/>	<hr/> <hr/>
Analysis for reporting purpose as:		
Current assets	427,626,274	264,334,383
Non-current assets — Deposits	2,335,184	1,519,464
	<hr/>	<hr/>
	429,961,458	265,853,847
	<hr/> <hr/>	<hr/> <hr/>

*Notes:*

- (a) The normal settlement terms of trade receivables from cash clients, clearing house and brokers arising from the ordinary course of business of securities brokerage services are two trading days after the trade date.

Cash client receivables which are past due but not impaired bear interest at interest rates by reference to Hong Kong prime rate plus certain basis points based on management's discretion, normally at Hong Kong prime rate plus 7%.

Trade receivables due from margin clients are repayable on demand. Margin client receivables, except for pending trade settlement, bear interest at interest rates by reference to Hong Kong prime rate plus certain basis points based on management's discretion, normally at Hong Kong prime rate plus 3%. The majority of trade receivables are secured and covered by clients' pledged securities, which are publicly traded securities listed in Hong Kong. As at 31 March 2018, the fair values of the pledged securities amounted to approximately HK\$1,051,287,044 (2017: HK\$1,042,334,586). Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collaterals are required if the amount of trade receivables outstanding exceeds the eligible margin value of securities deposited.

Trade receivables from clearing house and brokers represent trades pending settlement arising from the business of securities brokerage, which are normally due within two trading days after the trade date.

- (b) The Group allows a credit period ranging from 0 day to 120 days to its customers in trading of fur skins business, mink farming business and fur skin brokerage business.

The aging analysis of the Group's trade receivables from the business of securities brokerage, net of allowance for bad and doubtful debts, are as follows:

	<b>2018</b>	2017
	<b>HK\$</b>	HK\$
Neither past due nor impaired	<b>363,977,685</b>	217,878,990
Past due but not impaired	<b>12,210,390</b>	12,545,091
	<b><u>376,188,075</u></b>	<u>230,424,081</u>

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

	<b>2018</b>	2017
	<b><i>HK\$</i></b>	<i>HK\$</i>
Past due within one month	<b>4,111,302</b>	8,297,319
Past due from one month to three months	<b>8,099,088</b>	4,247,772
	<b><u>12,210,390</u></b>	<u>12,545,091</u>

The following is the movement in allowance for bad and doubtful debts for the year ended 31 March 2018 and 2017.

	<b>2018</b>	2017
	<b><i>HK\$</i></b>	<i>HK\$</i>
Balance at beginning of the year	<b>825,732</b>	—
(Write back of) allowance for bad and doubtful debts	<b>(718,023)</b>	825,732
Balance at end of the year	<b><u>107,709</u></b>	<u>825,732</u>

The aging analysis of the Group's trade receivables from the business of trading of fur skins, mink farming and fur skin brokerage, net of allowance for bad and doubtful debts, based on invoice dates are as follows:

	<b>2018</b>	2017
	<b><i>HK\$</i></b>	<i>HK\$</i>
0 - 60 days	<b>24,934,844</b>	12,985,543
61 - 90 days	<b>10,533,790</b>	10,110,635
91 - 120 days	<b>2,609,455</b>	3,277,805
Over 120 days	<b>—</b>	22,520
	<b><u>38,078,089</u></b>	<u>26,396,503</u>

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

Trade receivables from the business of trading of fur skins, mink farming and fur skin brokerage disclosed above include amounts which are past due 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 for these balances nor does it have a legal right to offset against any amounts owed by the Group to the counterparty.

The aging analysis of the Group's trade receivables from the business of trading of fur skins, mink farming and fur skin brokerage that are past due but not impaired are as follows:

	<b>2018</b> <i>HK\$</i>	2017 <i>HK\$</i>
0 - 60 days	—	—
61 - 90 days	—	—
91 - 120 days	—	—
Over 120 days	—	22,520
	<hr/>	<hr/>
	—	22,520
	<hr/> <hr/>	<hr/> <hr/>

#### 11. LOAN RECEIVABLES

	<b>2018</b> <i>HK\$</i>	2017 <i>HK\$</i>
Loans from money lending business-unsecured	<b>3,500,000</b>	—
Loans from fur brokerage business-secured	—	10,467,192
Less: Allowance for bad and doubtful debts on individual assessment	—	(5,233,596)
	<hr/>	<hr/>
	<b>3,500,000</b>	5,233,596
Accrued interest receivables	—	688,440
	<hr/>	<hr/>
	<b>3,500,000</b>	5,922,036
	<hr/> <hr/>	<hr/> <hr/>

The Group offered a credit period of 180 days for the loans to its customers in the fur skin brokerage business with interest rate of 4.8% (2017: 4.8%) per annum and credit period of 1 year for the loans to its customers in money lending business with interest rate of 12% (2017: Nil). 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 are 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 2018 and 2017:

	<b>2018</b> <i>HK\$</i>	2017 <i>HK\$</i>
0 - 60 days	<b>2,000,000</b>	—
61 - 90 days	<b>1,500,000</b>	—
91 - 180 days	—	—
Over 180 days	—	5,233,596
	<u>3,500,000</u>	<u>5,233,596</u>

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

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 for such amounts because the loan receivables were secured by a lien over the fur skins purchased by such loans and are still considered recoverable.

The following is an aging analysis of the Group's loan receivables that are past due but not impaired at 31 March 2018 and 2017.

	<b>2018</b> <i>HK\$</i>	2017 <i>HK\$</i>
0 - 60 days	—	—
61 - 90 days	—	—
91 - 180 days	—	—
Over 180 days	—	5,233,596
	<u>—</u>	<u>5,233,596</u>

The following is the movement in allowance for bad and doubtful debts for the year ended 31 March 2018 and 2017.

	<b>2018</b> <i>HK\$</i>	2017 <i>HK\$</i>
Balance at beginning of the year	<b>5,233,596</b>	1,050,549
Amounts written off as uncollectible	<b>(5,233,596)</b>	(744,026)
Provision for the year	—	4,927,073
	<u>—</u>	<u>4,927,073</u>
Balance at end of the year	<u>—</u>	<u>5,233,596</u>



The following is an aging analysis of the Group's loan receivables that are past due and impaired at 31 March 2018 and 2017.

	<b>2018</b>	2017
	<i>HK\$</i>	<i>HK\$</i>
Overdue by:		
0 - 60 days	—	—
61 - 90 days	—	—
91 - 180 days	—	—
Over 180 days	—	5,233,596
	<hr/>	<hr/>
	—	5,233,596
	<hr/> <hr/>	<hr/> <hr/>

## 12. TRADE AND OTHER PAYABLES

	<b>2018</b>	2017
	<i>HK\$</i>	<i>HK\$</i>
Trade payables from:		
Securities brokerage business ( <i>Note a</i> )		
— Cash clients	<b>32,350,461</b>	24,567,813
— Margin clients	<b>63,725,986</b>	51,509,899
— Clearing house and brokers	<b>5,826,804</b>	10,565,507
Trading of fur skins and mink farming business ( <i>Note b</i> )	<b>159,975</b>	8,087,804
	<hr/>	<hr/>
	<b>102,063,226</b>	94,731,023
Other payables:		
Accruals	<b>15,552,666</b>	5,936,576
Value-added tax payable	<b>2,327,180</b>	1,894,713
Other operating expenses payables	<b>4,412,415</b>	2,239,376
Others	<b>20,765</b>	17,883
	<hr/>	<hr/>
	<b>124,376,252</b>	104,819,571
	<hr/> <hr/>	<hr/> <hr/>

*Notes:*

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

The majority of the trade payables balances are repayable on demand except for certain balances relating to margin deposits received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

The trade payables from the securities brokerage business are normally settled within two trading days after the trade date except for the money held on behalf of clients at the segregated bank accounts which is repayable on demand. The money held on behalf of clients at the segregated bank accounts carries interest at prevailing interest rate of 0.01% (2017: 0.01%) per annum.

No aging analysis is disclosed as, in the opinion of directors, an aging analysis does not give additional value in view of the nature of the business.

- (b) The Group normally settles the trade payables from trading of fur skins and mink farming business within 21 days of the credit term.

Based on the invoice dates, aging analysis of trade payables from trading of fur skins and mink farming business are as follows:

	<b>2018</b>	2017
	<b><i>HK\$</i></b>	<i>HK\$</i>
0 - 60 days	<b>159,975</b>	5,569,215
61 - 90 days	—	—
91 - 120 days	—	—
Over 120 days	—	2,518,589
	<hr/>	<hr/>
	<b>159,975</b>	8,087,804
	<hr/> <hr/>	<hr/> <hr/>

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

### 13. SHARE CAPITAL

	<i>Notes</i>	<b>Number of ordinary shares of HK\$0.01 each</b>	<i>HK\$</i>
<b>Authorised:</b>			
At 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018		10,000,000,000	100,000,000
<b>Issued and fully paid:</b>			
At 1 April 2016		2,835,074,400	28,350,744
Exercise of share options		39,964,800	399,648
Issue of shares upon exercise of warrants		165,994,815	1,659,948
Issue of shares by placing		210,000,000	2,100,000
Issue of Consideration Shares		660,000,000	6,600,000
At 31 March 2017 and 1 April 2017		3,911,034,015	39,110,340
Exercise of share options	<i>(a)</i>	41,000,000	410,000
Issue of shares by placing	<i>(b)</i>	604,889,000	6,048,890
At 31 March 2018		4,556,923,015	45,569,230

During the year ended 31 March 2018, the movements in the Company's share capital are as follows:

- (a) During the year ended 31 March 2018, a total of 41,000,000 new shares were issued upon exercise of 41,000,000 share options under the share option scheme adopted by the Company on 1 August 2012 at an aggregate consideration of HK\$10,209,000, of which HK\$410,000 was credited to share capital and the remaining balance of HK\$9,799,000 was credited to the share premium account. In addition, an attributable to the related share options of HK\$2,324,075 has been transferred from share option reserve to the share premium account.
- (b) During the year ended 31 March 2018, 484,889,000 shares and 120,000,000 shares, 604,889,000 shares in aggregate, were placed at an amount of HK\$0.21 per share to Perfect Thinking Global Limited and Instant Idea Limited respectively, and brought a net proceeds of HK\$126,656,021 to the Company.

### 14. RECLASSIFICATION

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The securities brokerage business has become the major revenue source and contributed profit to the Group while the fur business is still suffering from stiff competition, persistently weak demand and change of customers' taste to fur.

#### **Securities Brokerage Business**

With the completion of the acquisition of Great Roc Capital Securities Limited, a company permitted to carry out Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities under the Securities and Futures Ordinance ("SFO", Chapter 571 of the Laws of Hong Kong) on 20 January 2017, it began to pay off by contributing approximately HK\$81 million and HK\$37 million revenue and profit respectively.

#### **Fur Business**

The Copenhagen Fur Auction opened their season with the February auction slightly down from last year's September auction. Their auctions for the months of March and May saw mink prices continue to fall lower still.

This continuous drop in mink prices for all three Copenhagen Fur's auctions provided us with no chance to make profit in our skin trading division.

Our skin brokerage and financing division continues to be very challenging. The difficulties we are experiencing are from the cut-throat competition from the numerous Mainland Chinese fur brokers who are continuing their practice of "price war" by lowering their commission rate by 50%. With this industry-wide problem, the Group employed a very conservative attitude to scale down the business in our fur skin brokerage and financing division to keep our loss to a minimum.

For mink farming division, it was not satisfactory because of the weak demand of fur that lead to a lower market price of mink skins. As a result, the mink farming division had to cut costs and maintain control of our mink breeding to narrow down losses.

## **PROSPECTS**

For securities brokerage business, we are confident that it will continue to be the major source of income and we will put further resources to develop our equity capital market business as well as margin financing. We are poised to further develop our financial services business to also money lending and wealth management businesses.

For fur business, many changes have taken place over the last few years in the fur industry and measures have had to undertake to handle these changes while still trying to generate profit. One of which is that present demand of skins only allow the auctions worldwide to sell no more than 80% of their offered quantity, therefore, the Group must keep skin trading to an absolute minimum. This is a vital practice since customers are now allowed to go directly to the auctions to buy the remaining 20% when they are looking for skins.

The Group is continuing to monitor and cut costs on the mink farming division in the hope that this business will make profit even if the auction prices remain every low.

A recent news that may have a negative impact on our fur business is that a couple of famous designer brands have stated that they will not use fur in their fall and winter collections. We will monitor closely the possible effect on our business but we stand by our industry as we are still optimistic with it since Danish mink farming is still the source for the best mink in the world.

## **FINANCIAL REVIEW**

### **Revenue**

The revenue of the Group for the year ended 31 March 2018 (“FY2018”) was approximately HK\$200.3 million, representing an increase of approximately 54.07% from approximately HK\$130.0 million for the year ended 31 March 2017 (“FY2017”). The increase in the revenue was mainly attributable to the increase in contribution of income from the new securities brokerage business of approximately HK\$74.2 million for FY2018 as only 2 months revenue had been consolidated in the Group’s financial statements for FY2017 after completion of the acquisition of the securities brokerage business on 20 January 2017. There was a slight decrease of approximately 3.45% in revenue from the fur business for FY2018.

## **Cost of sales**

The cost of sales of the Group amounted to approximately HK\$122.7 million for FY2018, representing an increase of approximately 2.35% from approximately HK\$119.9 million for FY2017, which was mainly due to the increase in cost of sales of trading of fur skins.

The cost of sales for both FY2018 and FY2017 were solely derived from the fur business segment. The businesses of securities brokerage and other financial services are provision of services, which the costs of services do not account for as cost of sales for financial reporting purpose.

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

As a result of the consolidation of full year revenue of the securities brokerage business for FY2018, the Group recorded a gross profit of approximately HK\$77.5 million or gross profit margin of 38.72% for FY2018, compared with that of approximately HK\$10.1 million or 7.76% for FY2017.

## **Other income**

Other income increased by approximately HK\$35.9 million for FY2018, mainly due to the reported net foreign exchange gain in mink farming of approximately HK\$31.8 million as other income in FY2018 against net foreign exchange loss of approximately HK\$10.9 million recognised as the Group's administrative expenses in FY2017.

## **Write back of inventories**

For FY2018, there was no write back of inventories versus last year's HK\$0.4 million.

## **Impairment of goodwill**

There was no impairment loss on goodwill recognised for FY2018 as compared with last year's HK\$37.9 million of impairment loss on goodwill for the fur skins brokerage business.

## **Change in fair value less costs to sell of biological assets**

The Group recognised a gain of approximately of HK\$12.3 million from an adjustment in the fair value of biological assets for FY2018, compared to a gain of HK\$39.5 million last year. The biological assets are mated female minks and male minks for breeding for the mink farming business.

## **Administrative expenses**

The administrative expenses of the Group increased by approximately 4.98% from approximately HK\$110.1 million for FY2017 to approximately HK\$115.5 million for FY2018. The increase in the administrative expenses was primarily due to inclusion of full year operating expenses of securities brokerage business, partially offset by the decrease in bad debts (including the allowance for bad debts) recognised for the fur skins brokerage business of approximately HK\$30.1 million in FY2017 and the absence of last year's net foreign exchange loss of approximately HK\$10.9 million.

## **Finance costs**

The finance costs of the Group increased by approximately 96.02% from approximately HK\$5.9 million for the FY2017 to approximately HK\$11.5 million for FY2018, primarily due to the increase in the imputed interest of approximately HK\$5.3 million in connection with the promissory note with carrying amount of HK\$99.2 million as at 31 March 2018 issued by the Company for part of the consideration for the acquisition of the securities brokerage business in January 2017.

## **Loss for the year**

The Group reported a decrease in loss for the year from approximately HK\$104.4 million for FY 2017 to loss of approximately HK\$7.9 million for FY2018. The improvement in results was mainly attributable the satisfactory financial results of the new securities brokerage business, which have been consolidated into the Group's accounts since January 2017.

## **Liquidity, Financial Resources and Capital Structure**

The Group mainly finances its operations with internally generated cash flow, bank borrowings and equity/debt financings. The Group maintained bank balances and cash of approximately HK\$100.4 million as at 31 March 2018 (2017: approximately HK\$128.7 million) in Hong Kong dollars ("HK\$") and United States dollars ("US\$"). The net assets of the Group as at 31 March 2018 were approximately HK\$548.3 million (2017: approximately HK\$427.0 million).

On 31 July 2017, the Company entered into a share subscription agreement with each of Perfect Thinking Global Limited (“Perfect Thinking”) and Instant Idea Limited (“Instant Idea”) where Perfect Thinking and Instant Idea agreed to subscribe up to 484,889,000 and 120,000,000 Shares respectively at HK\$0.21 per share (collectively the “Share Subscription Agreements”). The aggregate nominal value of the shares issued under of Share Subscription Agreements is HK\$6,048,890. The transaction completed on 9 August 2017 with gross proceeds of approximately HK\$127 million raised. The net proceeds of approximately HK\$126.5 million, representing a net issue price of HK\$0.209 per share, would be used to (i) develop the Group’s securities brokerage and money lending business; and (ii) provide general working capital of the Group. As at 31 March 2018, approximately HK\$100,00,000 has been utilised for the development of the securities brokerage and money lending business and approximately HK\$26,700,000 has been utilised for general working capital.

The closing price of the shares was HK\$0.249 per share as quoted on the Stock Exchange on the date of the Share Subscription Agreements.

## **FINANCIAL KEY PERFORMANCE**

The above financial data were chosen to present in this announcement as they represent a material financial impact on the consolidated financial statements of the Group for the current and/or the previous financial year, that a change of which could affect the revenue and profit conspicuously. It is believed that by presenting the changes of these financial data can effectively explain the financial performance of the Group for the year ended 31 March 2018.

As at 31 March 2018, the Group had bank borrowings, which represented trust receipt loans, term loans and revolving loans of approximately HK\$nil, HK\$69 million and HK\$100 million respectively to finance its purchases of fur skins, margin financing and general working capital (2017: HK\$9.9 million, HK\$58.3 million and HK\$100 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\$189 million (2017: HK\$214 million) with different covenants such as (i) corporate guarantees provided by the Company, (ii) charge over fixed assets, trade receivables, inventories and biological assets. The net external gearing ratio, representing the ratio of total interest bearing borrowings to the net assets of the Group, was about 50.9% as at 31 March 2018 (2017: 70.9%).

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, 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 2018, the Group charged the key management insurance contract which is classified as an available-for-sale investment of approximately HK\$11 million (2017: HK\$11 million), other plant and equipment, trade receivables, biological assets and inventories of approximately DKK94,328,000 (approximately HK\$122,419,000) (2017: DKK101,573,000, approximately HK\$113,528,000) for bank borrowings.

### **CONTINGENT LIABILITIES**

As at 31 March 2018, the Group did not have any material contingent liabilities (2017: Nil).

### **CAPITAL COMMITMENTS**

As at 31 March 2018, the Group did not have any significant capital commitments (2017: Nil).

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

During the year ended 31 March 2018, the Company did not have any material acquisition or disposals and significant investments.

## **EMPLOYEE INFORMATION**

As at 31 March 2018, the Group had a total of 74 staff members including Directors (2017: 66). Staff costs including Director's remuneration amounted to approximately HK\$46.9 million for the year ended 31 March 2018 (2017: approximately HK\$24.9 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 may implement foreign currency forward contracts to hedge the exposure to foreign currency risk. 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.

## **FINAL DIVIDEND**

The Directors do not recommend any final dividend for the year ended 31 March 2018.

## **CORPORATE GOVERNANCE**

The Company has fully complied with the required code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 14 of the Listing Rules for the year ended 31 March 2018 with the following exception:

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

Mr. Lam Chi Tat, who was not an employee of the Company, ceased to be the company secretary of the Company on 29 March 2018. Mr. Ong Tiang Lock, the chief operating officer, was appointed as the company secretary on the same date to replace Mr. Lam. Since then, the Company is in compliance with Code Provision F.1.1.

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

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

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

The Group adopted the code of conduct for securities transactions by Directors (“Securities Dealings Code”) on terms no less exacting than that set out in Appendix 10 of the Listing Rules. Upon the Group’s specific enquiry, all Directors confirmed that during the year ended 31 March 2018, they had fully complied with the Securities Dealings Code.

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

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

The Group’s annual results for the year ended 31 March 2018 have been reviewed by the Audit Committee. The Audit Committee is of opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

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

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in this announcement have been agreed by the Group’s auditors, HLM CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by HLM CPA Limited in this respect did not constitute any assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLM CPA Limited in this announcement.

## **PUBLICATION OF ANNUAL REPORT**

The annual report for FY2018 containing all the information required by Appendix 16 of the Listing Rules will be despatched to the shareholders and available on the Company's website ([www.ukf.com.hk](http://www.ukf.com.hk)) and the designated website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) in due course.

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

Hong Kong, 15 June 2018

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

*Executive Directors:*

Mr. Wong Chun Chau (*Chairman*)

Ms. Kwok Yin Ning

*Independent Non-executive Directors:*

Ms. Mak Yun Chu

Mr. Tang Tat Chi

Mr. Hung Wai Che