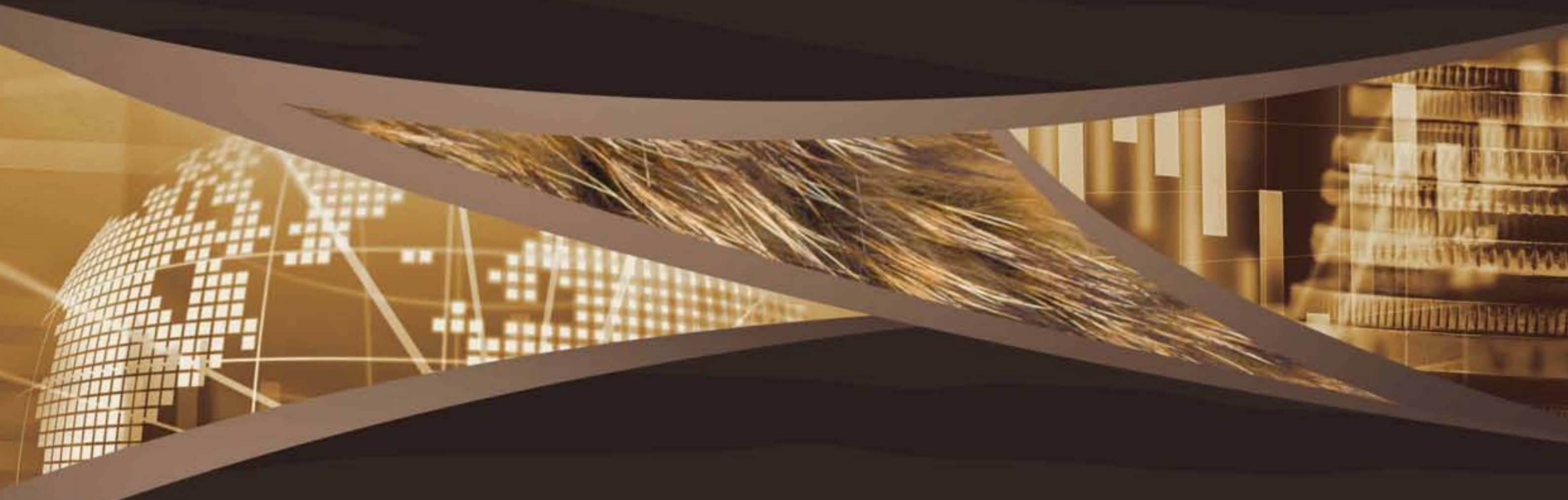
2019 ANNUAL REPORT

UKF (HOLDINGS) LIMITED
英裘(控股)有限公司



(Incorporated in the Cayman Islands with limited liability)

Stock code: 1468

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CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Independent Non-executive Directors

Ms. Mak Yun Chu
Mr. Hung Wai Che
Mr. Tang Tat Chi

Company Secretary

Mr. Tsang Hing Bun

Audit Committee

Ms. Mak Yun Chu *(Chairperson)*
Mr. Hung Wai Che
Mr. Tang Tat Chi

Remuneration Committee

Mr. Hung Wai Che *(Chairperson)*
Ms. Mak Yun Chu
Mr. Tang Tat Chi

Nomination Committee

Mr. Tang Tat Chi *(Chairperson)*
Ms. Mak Yun Chu
Mr. Hung Wai Che
Mr. Wong Chun Chau

Authorised Representatives

Mr. Wong Chun Chau
Ms. Kwok Yin Ning

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Public Bank 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

I hereby report to you the status of UKF (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2019.

Business Review

In the past financial year, the global economic conditions remained volatile while the monetary policy direction in United States together with some other developed economies remained uncertain. The elusive external environment sent a negative message to the financial market that deterred investors from inputting capital to the stock markets and Hong Kong is one of the victims. As a result, the performance of our securities business deteriorated compared with last year.

The securities business is one of our major revenue sources but is unavoidably affected adversely by the persistently low market turnover as a result of cautious investors that hampered the brokerage fee income.

Apart from securities business, the Group has been actively developing various financial businesses in 2018. Supported with various licenses, a number of subsidiaries were established to carry out money lending, insurance brokerage and Type 9 (Asset Management) licenced businesses, which provide a wide range of financial services including asset management, wealth management and family office services. On the other hand, the fur business is still suffering from stiff competition, continuous weak demand and change in consumer preference for fur.

Securities

Great Roc Capital Securities Limited is the flagship company of the Group for the securities business, which has the permitted licences to carry out Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities under the Securities and Futures Ordinance ("SFO", Chapter 571 of the Laws of Hong Kong). For the year ended 31 March 2019, the business contributed approximately HK$28.5 million revenue (2018: HK$81.1 million) and approximately HK$3.2 million profit (2018: HK$37.2 million).

Insurance Brokerage

With the completion of the acquisition of King Privilege Wealth Management Limited ("KPWM"), this subsidiary has been actively expanding its product categories and extending its scope of service. It is registered with the Professional Insurance Brokers Association ("PIBA") and staffed by a team of over 50 experienced insurance professionals, and representing over 20 major life and general insurance providers. Up to 31 March 2019, KPWM has been managing over 1,700 insurance policies for over 1,300 clients. For the year ended 31 March 2019, KPWM has accumulated total Annualised First Year Premium ("AFYP") amount of over HK$68 million; with total Annualised First Year Commission ("AFYC") amount of over HK$40 million.

Fur

Due to continued downturn in the Fur market and the usual lower trade volume in the second half of the financial year, a further decline in revenue for the financial year was recorded.

In anticipation of the slowdown, Management decided to cut production and further tightened cost control during the year.

CHAIRMAN'S STATEMENT

As a result, revenue is much lower for the year by 69.4%, whilst costs have declined by 66% during the reporting period.

Other segment

In 2018, the Group has established and commenced preparations to develop the business of assets management and family office services. The asset management business is building up various networks with partners to establish the best team and platform for formulating investment strategies and planning ahead for clients' investment portfolio. The family office business combines various financial services available under the licensed companies and provide comprehensive financial solutions to family offices, family businesses and enterprises. The scope of services includes cross-generation succession planning, family wealth planning, family asset management and family office services in order to meet the needs of high-net-worth individuals and enterprises.

Prospects

For the industry as a whole, Danish mink production is estimated by Kopenhagen Fur to reduce by 35% as figures from the Danish feed kitchens showed that feed sales were down 31% in February 2019, reflecting a similar decline in the number of breeding females. Although demand is not expected to rise any time soon, the reduction in global production will bring a decline in supply. Management is expecting a stabilisation of the market and price of mink will recover to a normal level.

Despite the economic downturn and ongoing trade war between the US and China, we remain positive about the business growth of securities, wealth management and other financial services. With our dual development strategy with a view to enhancing the securities and other financial services business and the expansion of wealth management for high net worth customers, we anticipate that these efforts will further strengthen the overall profit model of the Group.

Last but not least, I would like to express my gratitude to all staff of the Group for your relentless effort and contributions to the Group. Appreciation also goes to all the shareholders of the Company for your unfailing support and I wish you all the best of health and luck.

Wong Chun Chau
Chairman
Hong Kong, 27 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue and Segment Results

Revenue of the Group for FY2019 was approximately HK$113.5 million (FY2018: approximately HK$200.3 million).

Securities

For FY2019, the Group's commission income from securities brokerage, underwriting and placing, plus interest income from securities margin financing, cash clients and IPO loans amounted to approximately HK$28.5 million (FY2018: approximately HK$81.1 million), representing a decrease of approximately 64.9% as compared to the last corresponding year. The decrease in revenue was mainly attributable to the declining market trend as shown by the movements of Hang Seng Index during the period under review and the deterioration of market sentiment indicated by lower average daily turnover. The securities business reported segment profit approximately HK$3.2 million for FY2019 (FY2018: approximately HK$37.2 million).

Insurance brokerage

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

During FY2019, revenue from insurance brokerage amounted to HK$40.9 million (FY2018: approximately HK$239,000), which represented commission income received from broking and dealing in insurance products. It reported a segment loss of HK$8.5 million for FY2019 (FY2018: approximately HK$2.9 million).

Fur

For FY2019, the Group's fur business remained difficult and revenue of the fur business decreased by approximately HK$82.5 million to approximately HK$36.4 million (FY2018: approximately HK$118.9 million). The decrease in revenue was mainly attributable to the weak demand for fur, which resulted in shrinking volume of fur sales. The fur business reported a segment loss of approximately HK$33.2 million for FY2019 (FY2018: approximately HK$42.4 million).

Other segment

Other segment represented the provision of money lending services in Hong Kong.

The Group holds a money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). During the year, the Group conducted several money lending transactions and the individual loan size ranged from approximately HK$1 million to approximately HK$35.3 million.

The money lending business contributed approximately HK$7.7 million to the revenue of the Group for FY2019 (FY2018: HK$65,000) and reported a segment profit of approximately HK$568,000 (FY2018: loss of HK$185,000).

Cost of sales

The cost of sales of the Group amounted to approximately HK$78.9 million for FY2019, representing a decrease of approximately 35.7% from approximately HK$122.7 million for FY2018, which was in line with the decrease in revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

As a result of the above situations, the Group recorded a consolidated gross profit of approximately HK$34.7 million or gross profit margin of 30.5% for FY2019, compared with that of approximately HK$77.5 million or 38.7% for FY2018.

Other income

Other income decreased by approximately HK$32 million for FY2019, mainly due to the absence of exchange gain of approximately HK$31.8 million reported on the translation of foreign currencies monetary asset for FY2018.

Change in fair value less costs to sell of biological assets

The Group recognised a gain of approximately of HK$7.6 million from an adjustment in the fair value of biological assets for FY2019, compared to a gain of HK$12.3 million last year. The biological assets are mated female minks and male minks for breeding for the mink farming business. Further details regarding the valuation of biological assets are set out in Note 18 to the consolidated financial statements.

Administrative expenses

The administrative expenses of the Group decreased by approximately 11.3% from approximately HK$108 million for FY2018 to approximately HK$95.8 million for FY2019. The decrease in the administrative expenses was primarily due to the decrease in staff salaries and allowances and commission expenses.

Finance costs

Finance costs, which mainly represented interest expenses for the bank borrowings and the imputed interest on the Promissory Note, were approximately HK$10.8 million for FY2019 (FY2018: approximately HK$11.5 million).

Loss for the year

Combined with the above factors, the Group reported an increase in loss for the year to approximately HK$89.2 million (FY2018: approximately HK$7.9 million).

Liquidity, Financial Resources and Capital Structure

The Group mainly finances its operations with internally generated cash flow, bank borrowings and equity/debt financings. The Group maintained bank balances and cash of approximately HK$100.8 million as at 31 March 2019 (31 March 2018: approximately HK$100.4 million) in Hong Kong dollars ("HK$") and United States dollars ("US$"). The net assets of the Group as at 31 March 2019 were approximately HK$458 million (31 March 2018: approximately HK$548.3 million).

Financial Key Performance

The above financial data were chosen to present in this annual report as they represent a material financial impact on the consolidated financial statements of the Group for the current and/or the previous financial year, that a change of which could affect the revenue and profit conspicuously. It is believed that by presenting the changes of these financial data can effectively explain the financial performance of the Group for the year ended 31 March 2019.

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure of foreign currency risk. 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.

Foreign Currency Management

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

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

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

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

Charge of Assets

As at 31 March 2019, the Group charged the key management insurance contract which is classified as an financial assets at fair value through profit and loss of approximately HK$11 million (2018: HK$11 million), other plant and equipment, trade receivables, biological assets and inventories of approximately DKK80,418,000 (approximately HK$94,982,000) (2018: DKK94,328,000, approximately HK$122,419,000) for bank borrowings.

Capital Commitments and Contingent Liabilities

As at 31 March 2019, the Group did not have any significant capital commitments and contingent liabilities (2018: Nil).

Material Acquisitions or Disposals and Significant Investments

During FY2019, the Company did not have any material acquisitions or disposals and significant investments.

Final Dividend

The directors do not recommend any final dividend for FY2019 (FY2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Employee Information

As at 31 March 2019, the Group had a total of 74 staff members including Directors (2018: 74). Staff costs including Director's remuneration amounted to approximately HK$41 million for the year ended 31 March 2019 (2018: approximately HK$46.9 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. As the Hong Kong Dollar is pegged to the US Dollar, the Group considers the risk of movements in exchange rates between the Hong Kong Dollars and the US Dollars 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Environmental Policies and Compliance with Relevant Laws and Regulations

The purpose of this report is to communicate management approaches, strategies, priorities and key performances with stakeholders. Please refer to section "Environmental, Social and Governance Reporting" in this annual report.

Key Relationships with Employees, Customers and Suppliers

Please refer to "Major Customers and Suppliers" and "Employees" sections in "Report of the Directors".

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. WONG Chun Chau (黃振宙), aged 62, 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 63, 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 20 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 61, 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. Mak 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.

Mr. TANG Tat Chi (鄧達智), aged 64, 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. HUNG Wai Che (孔偉賜), aged 43, was appointed as independent non-executive Director on 26 August 2016. He has over 14 years of experience in legal field and operating and managing various energy and recycling projects including power station and oil refinery factories in China and Hong Kong. He graduated from the University of Wales, Aberystwyth, United Kingdom with Honours Degree in Law.

Senior Management

Mr. ONG Tiang Lock (王添樂), aged 60, joined the Group in April 2017 as the Chief Operating Officer. Mr. Ong is currently a director of various investment holding subsidiaries of the Group. Mr. Ong is a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Certified Chartered Accountants, a Chartered Accountant of the Malaysian Institute of Accountants and a member of Hong Kong Securities and Investment Institute. Mr. Ong holds a Master's degree in Business Administration (with distinction) from the University of Hull. He has more than 30 years of experience in accounting, banking and finance in Hong Kong SAR, China, Singapore, Malaysia and the USA. He is responsible for the Group's Human Resources, Information Technology and day-to-day operations.

Mr. NG Siu Hong (伍紹康), aged 38, joined Great Roc Capital Securities Limited in 2013 and is currently a Managing Director of the company. Mr. Ng graduated from City University of Hong Kong with a Bachelor's degree in Economics and Finance and is taking the Executive Master of Business Administration degree at The Chinese University of Hong Kong. He has successfully implemented numerous IPOs, private placements, secondary market placements and M&A transactions.

Mr. Ng has accumulated strong experience in securities related works, and has previously worked for UOB Kay Hian (HK) Ltd. and Philip Securities (HK) Ltd. Since joining Great Roc Capital Securities Limited, he has successfully raised funds for companies in various sectors through IPOs and placements. He also possesses a wealth of experience in and has a unique perspective of different capital raising and financing services.

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. 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 2019 with the following exception:

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

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 2019, 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 2019, 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.

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

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 three 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 2019, the Board held 4 regular Board meetings and 1 additional meeting. The Company held the annual general meeting on 6 August 2018 for the year ended 31 March 2018. 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 meeting**	**General meetings**
Executive Directors			
Mr. Wong Chun Chau *(Chairman)*	4/4	1/1	1/2
Ms. Kwok Yin Ning	4/4	1/1	2/2
Independent Non-executive Directors			
Ms. Mak Yun Chu	4/4	1/1	2/2
Mr. Hung Wai Che	4/4	1/1	2/2
Mr. Tang Tat Chi	4/4	0/1	0/2

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.

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 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/she has appropriate understanding of the business and operations of the Group and that he/she is sufficiently aware of his/her 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.

All Directors have participated in appropriate continuous professional development and refresh their knowledge and skills during the year. Such professional development was completed either by way of attending briefings, conference, forum, courses and seminars and self-reading which are relevant to the business or directors' duties.

CORPORATE GOVERNANCE REPORT

Board Committees

The Board has set up three 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 three independent non-executive Directors. The current members are Ms. Mak Yun Chu (Chairperson), Mr. Tang Tat Chi and Mr. Hung Wai Che.

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 with the professional accounting firm engaged by the Group, which conducted regular internal audits and report to the committee.

During the year, two committee meetings were held with all the then committees members present (i.e., Ms. Mak Yun Chu, Mr. Tang Tat Chi and Mr. Hung Wai Che) and the Board has taken no different view in respect of the Audit Committee's recommended reappointment.

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") on 1 August 2012 which comprises three independent non-executive Directors. The current members are Mr. Hung Wai Che (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; and

(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 2019, the Remuneration Committee met once with presence of all the eligible members for the time being (i.e. Mr. Hung Wai Che, Ms. Mak Yun Chu 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 three independent non-executive Directors and one executive Director. The current members are Mr. Tang Tat Chi (Chairperson), Mr. Hung Wai Che, 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; and

(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 2019, the Nomination Committee met once with the presence of all members for the time being (i.e. Mr. Tang Tat Chi, Mr. Hung Wai Che, Ms. Mak Yun Chu 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.

CORPORATE GOVERNANCE REPORT

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 2019.

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 pages 61 to 68.

Auditor's Remuneration

The remuneration paid/payable to the auditor of the Group for the year ended 31 March 2019 is set out as follows:

Services rendered	**Paid/payable** HK$'000
Statutory audit services	
— HLM CPA Limited	746
— Other auditors	452
	1,198

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.

Internal Audit And Risk Management

During the Financial Year, the Group has complied with code provision C.2 of the Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis and an internal audit on the internal control and risk management systems performed on an annual basis. Main features of the risk management and internal control systems are described as follows:

Risk Management System

The Group has adopted a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- Identification: identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- Evaluation: analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- Management: consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted for the financial year, no significant risk was identified.

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.

CORPORATE GOVERNANCE REPORT

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 to the attention of the Company Secretary 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.

Dividend Policy

The company is committed to sharing the results with shareholders while striking a balance of continuous development of its business. Given the current financial condition, the possible financial resources needed for business development, the company does not expect to distribute any dividend in the near term since it intends to reserve capital for business development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION, ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

The Group has been listed on the Main Board of the Stock Exchange of Hong Kong Limited ("HKEx") since 2015. This Environmental, Social and Governance Report (the "ESG Report") summarizes the initiatives, programmes, and performance on environmental, social and governance ("ESG") of UKF and its subsidiaries (the "Group" or "we") as well as demonstrates its commitment to sustainability.

The Group principally engaged in securities brokerage, wealth management and other financial services, mink farming and trading of mink's fur skin. The Group has started to develop upstream business by acquiring mink farms in Denmark in 2013. Since early 2017, the Group has diversified its business to securities brokerage, which included other relevant businesses, provision of wealth management services and money lending. In recent years, securities brokerage has become the key business of the Group and generated the major revenue source.

ESG Governance Structure

The Group conducts a top-down management approach regarding our ESG issues. The Board of Directors (the "Board") oversees and sets out ESG strategy for the Group. It is also responsible for ensuring the effectiveness of the Group's risk management and internal controls.

In order to have a systematic management of the Group's ESG issues, we have set up an ESG working taskforce (the "Taskforce") composed of staff from relevant departments during the year ended 31 March 2019. The Taskforce is responsible to collect relevant ESG data and compile the ESG Report. It would periodically report to the Board, assisting in the assessment and identification of the Group's ESG risk management and evaluation of the implementation and effectiveness of internal control system. It also reviews the Group's ESG performance, including environmental, labour practices and other ESG aspects.

REPORTING SCOPE

Unless stated otherwise, this ESG Report covers the Group's business activities in Denmark and Hong Kong, while the business operation of mink farming was located in Denmark, and that of fur trading, securities brokerage and other financial services were mainly located in Hong Kong. The ESG key performance indicator ("KPI") data is gathered and included under the Group's direct operational control companies and subsidiaries. The Group will extend the scope of disclosures when and where applicable. The KPIs are shown in this ESG Report as well as supplemented by explanatory notes to establish benchmarks.

REPORTING FRAMEWORK

The ESG Report has been prepared in compliance with all applicable provisions set out in the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") contained in Appendix 27 of the Main Board Listing Rules of the HKEx.

Information relating to the corporate governance practices of the Group has been set out in the Corporate Governance Report on pages 12 to 20 of this annual report.

REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 March 2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

We value our stakeholders and their feedback regarding our businesses and ESG aspects. In order to understand and address their key concerns, we have maintained close communication with our key stakeholders, including but not limited to HKEx, government and regulatory bodies, suppliers, investors and shareholders, customers, employees, as well as media, non-governmental organizations ("NGOs") and the community.

We take stakeholders' expectations into consideration in formulating our businesses and ESG strategies by utilising diversified engagement methods and communication channels, shown as below:

Stakeholders	Concerned Issues	Communication Channels
HKEx	• Compliance of listing rules, timely and accurate announcements.	Meetings, training, roadshows, workshops, programs, website updates and announcements
Government and Regulatory Bodies	• Compliance with laws and regulations	Interaction and visits, government inspections, tax reporting and other information
Suppliers	• Payment schedule, stable demand	Site visits
Investors and Shareholders	• Performance • Development strategy • Operational prospects • Information and activities updates	Organizing and participating in seminars, interviews, shareholders' meetings, financial reports or operation reports for investors, media and analysts, annual general meeting, announcements and circulars, website
Customers	• Product quality • Product ethics • Service quality • Personal information protection	Customer support hotline and email, site visits, after-sales services
Employees	• Working environment • Employees' benefits • Career development • Company activities • Company's reputation	Regular performance reviews, notice board and broadcast, trainings, seminars and briefing sections, intranet, conducting union activities, interviews for employees, issuing Employee Handbook, internal memorandum
Media, NGOs, and the Community	• Corporate governance • Environmental protection • Green operation • Product ethics • Maintaining biodiversity • Corporate social responsibility	Press releases, issue of newsletters on the Company's website, developing community activities, employee voluntary activities, community welfare subsidies and donations.

We aim to collaborate with our stakeholders to improve our ESG performance and create greater value for the wider community on a continuous basis.

MATERIALITY ASSESSMENT

We have considered feedback from the relevant stakeholders in determining the Group's material ESG aspects to be covered in this ESG Report. These are shown in the table below, together with the aspects of the ESG Reporting Guide to which they relate:

ESG Index	Possible Material ESG Issues	Most Important	Important	Moderately Important
A. Environmental				
A1.Emission	Air Emissions			✓
	Greenhouse Gas ("GHG") Emissions			✓
	Wastewater Discharge			✓
	Waste Management			✓
A2.Use of Resources	Water Consumption			✓
	Energy Consumption			✓
	Use of Packaging Materials			✓
A3.The Environment and Natural Resources	Indoor Air Quality		✓	
	Respect of Nature and Protecting Biodiversity			✓
B. Social				
B1. Employment	Talent Retention		✓	
	Recruitment, Promotion and Dismissal	✓		
	Diversity, Equal Opportunities and Anti-discrimination		✓	
	Communication with Employees		✓	
B2. Health and Safety	Safety Measures		✓	
B3. Development and Training	Training and Development Management		✓	
B4. Labour Standards	Prevention of Child and Forced Labour	✓		
B5. Supply Chain Management	Supply Chain Management Structure			✓
	Supply Chain Environmental and Social Risk Management			✓
B6. Product Responsibility	Complaint Channel	✓		
	Customer Service and Privacy		✓	
	Animal Welfare	✓		
B7. Anti-corruption	Anti-corruption	✓		
	Anti-money Laundering and Counter-terrorist Financing	✓		
	Whistleblowing Mechanism	✓		
B8. Community Investment	Community Investment			✓
	Community Participation			✓

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Contact us

We welcome stakeholders to provide their opinions and suggestions. You can provide valuable advices in respect of the ESG Report or our performances in sustainable development via email at admin@ukf.com.hk.

A. Environmental

A1. Emissions

General Disclosure and KPIs

We are fully aware of our responsibilities towards the potential direct and indirect negative environmental impacts associated with our business operations. We address sustainability related issues into our business operation and tried our best to minimize our impacts on the environment.

By integrating environmental consideration into our decision making processes, we embrace our responsibilities to create a sustainable business. This is achieved through innovating and implementing measures that reduce energy consumption, waste reduction and any other green initiatives. We are also committed to educating our employees to raise their awareness on environmental protection and complying with the relevant environmental laws and regulations.

In the long run, the Group will enhance its energy saving management in minimizing the usage of lighting, air conditioning and electronic appliances and track its energy consumption regularly in the coming years. In Denmark, the Group will also strive to fully utilize the capacity of feed wagons, in order to reduce any unnecessary air emissions in the coming years.

Within our policy framework, we continually look for different opportunities to pursue environmentally friendly initiatives, enhance our environmental performance by reducing energy and use of other resources.

The Group has not identified any material non-compliance of environmental laws and regulations in Hong Kong and Denmark including but not limited to *Air Pollution Control Ordinance*, *Waste Disposal Ordinance*, and the *Danish Environmental Protection Act* during the year ended 31 March 2019.

Air Emissions

Due to our business nature, the Group did not generate significant amount of exhaust gas emissions directly during its operations.

The Group understands the importance in conserving natural resources and reducing the dependence on diesel fuel. The Group owns no private vehicle or motorcade in Hong Kong and Denmark. The number of farms operated by the Group has reduced during the year ended 31 March 2019. Due to a large reduction of farms in Denmark, the usage of feeding wagons has also largely reduced, and hence the amount of fuel usage has decreased. Therefore the amount of exhaust air emissions is considered immaterial to our business operation.

GHG Emissions

The principal GHG emissions of the Group are generated from the diesel consumed by feeding wagons (Scope 1), purchased electricity (Scope 2) and other indirect GHG Emissions (Scope 3). The Group actively adopts electricity conservation and energy saving measures as well as other measures to reduce GHG emissions, including:

- Actively adopts measures for environmental protection, energy conservation, and water saving. Relevant measures are described in “Energy Consumption” and “Water Consumption” under Section A2; and
- Actively adopts paper saving measures in offices. The relevant measures are described in the section “Waste Management” in this chapter.

Nevertheless, the Group still focuses on nurturing and strengthening the employees’ awareness of environmental protection in their daily work processes, and actively implements the Group’s environmental protection measures, with an aim to lowering the GHG emissions. The awareness of environmental protection of employees was raised.

During the year ended 31 March 2019, the total GHG emissions in the scope of direct, indirect and other indirect GHG emissions by the Group and the intensity are as follows:

GHG emissions Performance Summary

Indicator[1]	**Year ended 31 March 2019 GHG Emissions (tCO_2e)**	**Year ended 31 March 2019 GHG Emissions Intensity [2] (tCO_2e/employee)**
Direct GHG emissions (Scope 1)		
Diesel consumption	52.01	0.70
Indirect GHG emissions (Scope 2)		
Purchased electricity	185.32	2.50
Others indirect GHG emissions (Scope 3)		
Business air travel, paper consumption and water consumption	24.83	0.34
Total GHG emissions (Scope 1, Scope 2, and Scope 3)	262.16	3.54

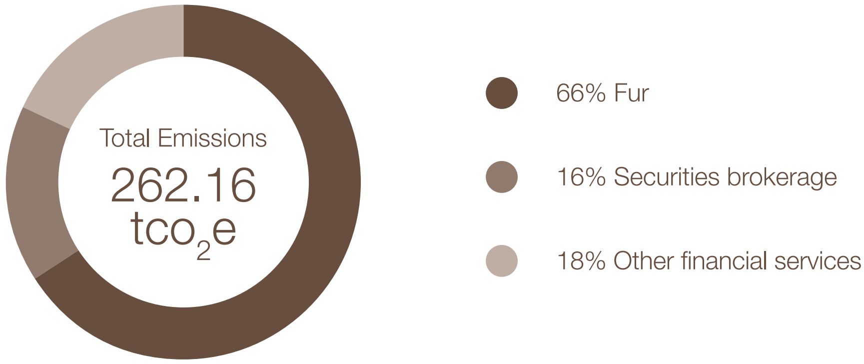
Remark:

1. GHG emission data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, “The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards” issued by the World Resources Institute and the World Business Council for Sustainable Development, “How to prepare an ESG Report? — Appendix II: Reporting Guidance on Environmental KPIs” issued by the HKEX, “Global Warming Potential Values” from the IPCC Fifth Assessment Report, 2014 (AR5).

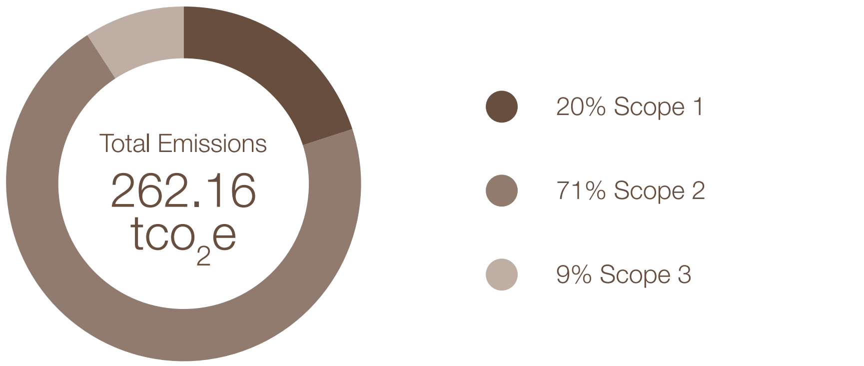
2. As at 31 March 2019, the Group had a total of 74 staff members including full time employees and Directors. The data is also used for calculating other intensity data.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GHG Emissions by Operating Segments



GHG Emissions by Scope



Wastewater Discharge

The Group regularly monitors the wastewater discharge from farms in order to comply with relevant laws and regulations to meet local government sewage discharge standards. The Group mainly discharges wastewater in the operation process, and the wastewater will be discharged into the urban sewage pipe network after being purified by the underground sewage treatment device.

The Group's wastewater discharge was increased from approximately 18,181 m^3 during the year ended 31 March 2018 to approximately 23,441 m^3 during the year ended 31 March 2019. Since our financial services and fur trading businesses operated in leased office premises for which both water discharges are solely controlled by the building management, we may not be able to disclose the water consumption data of these two businesses. Despite that, the wastewater discharge of the financial services and fur trading businesses is immaterial due to the business nature.

Waste Management

Hazardous waste handling method

Since the business of the Group does not involve in any slaughtering process of minks, and other operations which would lead to generation of hazardous wastes, therefore the Group did not generate any hazardous wastes during the year ended 31 March 2019.

Despite the Group did not generate hazardous wastes, the Group has established guidelines in governing the management and disposal of hazardous wastes. In case there are any hazardous wastes produced, the Group must engage a qualified chemical waste collector to handle such wastes, which is complied with the relevant environmental regulations and rules.

Non-hazardous waste handling method

The Group has set up relevant environmental policies, emphasizing carbon reduction and waste reduction with the principle of "Reduce, Reuse and Recycle" to promote better utilization of environmental resources. The Group is committed to promoting an environmentally friendly mindset among its employees.

With the aim of minimizing the environmental impact of generating non-hazardous wastes from its business operations, the Group has implemented measures to handle such wastes and launched different reduction initiatives.

Our staff and the assigned administrative staff in the workplace collectively take the responsibilities for the waste management in our offices in Hong Kong, in reference to the established environmental policies, including but not limited to the following:

- Utilizing electronic communication where applicable such as e-leave system, e-cards for festival greetings, medical e-claims and e-brochures for distributing to customers;
- Promoting upcycling, recycling and the use of recycled paper and toner or environmental friendly materials;
- Sorting recycled waste into appropriate receptacles, educating employees on sorting methods if needed; and
- Placing appropriate signage on walls and bins, stating what type of waste or recyclable should be placed in the bin.

We also have ascertained the following waste management measures of mink farming business in Denmark:

- Recycling the manure by storing it as organic fertilizer for the farms;
- Recycling the packaging materials of the feeds; and
- Using by-products of fish which would be rather disposed of as feeds for the minks.

For waste management in Denmark mink farms, manure of the minks will be cleared regularly by manual and disposed to a concrete area which will then be treated. Since the amount of excrement were minimal, it is considered as immaterial to the Group.

The awareness of recycling waste of staff has been raised with the implementation at the above mentioned measures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the year ended 31 March 2019, the consumption volume regarding offices' wastes generated by the Group is shown as below:

Category of Waste	Year ended 31 March 2019 (tonnes)	Year ended 31 March 2019 Intensity (tonnes/employee)
Paper consumption	2.4	0.03

A2. Use of Resources

General Disclosure and KPIs

The Group continues with initiatives to introduce resource efficiency and eco-friendly measures to the Group's operations, and is committed to optimising the use of resources in all of its business operations.

During the operations, fuel, electricity and water are frequently consumed, and the Group has established relevant policies and procedures in governing the efficient use of resources, in reference to the objective of achieving higher energy efficiency and reducing the unnecessary use of materials.

In order to enhance our environmental governance practice and mitigate the environmental impact produced by the Group's operations, we have adopted and implemented relevant environmental policies and have communicated such policies to our employees. These policies have applied the waste management principles of "Reduce", "Reuse" and "Recycle" as well as emission mitigation principle, with an objective of minimising the adverse environmental impacts and ensure the waste disposal or emission generated is conducted in an environmentally responsible manner.

Water Consumption

For our financial services and fur trading business in Hong Kong, water consumption contains mainly of office water consumption for basic cleaning and sanitation. As our businesses in Hong Kong operating in leased office premises for which both water supply and discharge are solely controlled by the building management, we may not be able to disclose the water consumption data of these two businesses. Despite that, the water consumption of our financial service and fur trading businesses in Hong Kong is immaterial due to the business nature. Nevertheless, we encourage all employees and customers to develop the habit of conserving water consciously. The Group has strengthened its water-saving promotion, posting water saving slogans, and guiding employees to use water reasonably. The awareness of our staff in water conservation has been raised, we will continue to enhance our water conservation measures in the future.

Our mink farming business in Denmark requires usage of water. Drinking water will be supplied to the mink through water nipples, attached to piping containing water constantly circulating under pressure. To keep the cages clean, water is also used to regularly clean the cages and farm area. The total water consumption for our mink farming business was approximately 23,441m^3, which has increased by approximately 29% when compared with that during the year ended 31 March 2018. There was no issue in sourcing water for fitting its purpose in the farms.

Energy Consumption

The major energy consumption of the Group in daily operation are electricity consumption in the operations, and diesel consumption in feeding of minks.

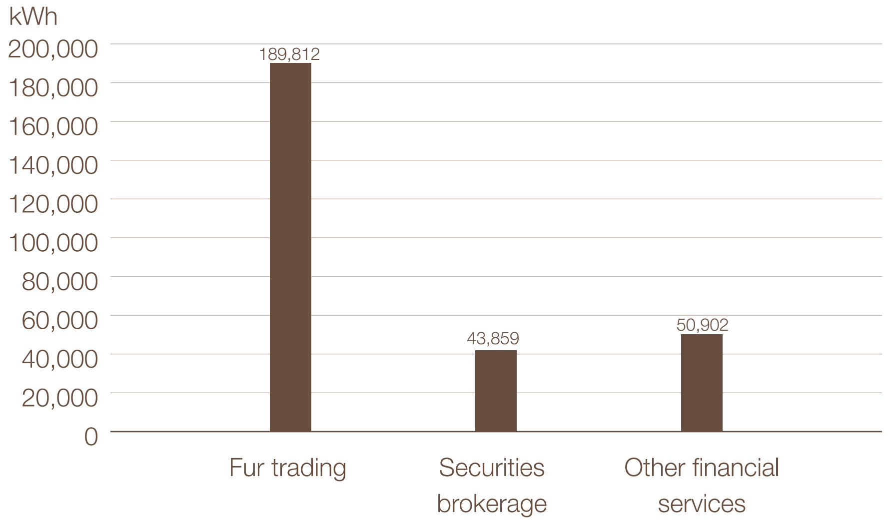
During the year ended 31 March 2019, the Group's consumption in diesel and electricity were as follow:

Type of Energy	Year ended 31 March 2019 (kWh)	Year ended 31 March 2019 Intensity (kWh/employee)
Diesel[3]	211,432.87	2,857.20
Purchased electricity	284,573.00	3,845.58
Total energy consumption	496,005.87	6,702.78

Note:

3. Conversion is in reference to the conversion provided on U.S. Energy Information Administration Energy Conversion Calculators, actual diesel consumption was 19,878 litre during the year ended 31 March 2019.

Electricity Consumption by Operating Segments



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the year ended 31 March 2019, the Group has performed the following measures relating to mitigating emissions:

- Adopted operating lighting control systems based on actual need;
- Adopted higher energy-efficiency office equipment in our workplace;
- Encouraged our staff to utilize teleconferences and video conferences, to reduce air and carbon emissions related to transportation needed for meetings;
- Posted up green messages on the information portal and message board to appeal for colleagues' continued support in energy and conservation;
- Used natural sunlight during daytime in the farms; and
- Operated the feeding wagons in minimal number of times to maximize its energy efficiency.

The awareness of staff in reducing energy consumption has been raised with the above mentioned measures.

Use of Packaging Materials

The Group has no industrial production or any factory facilities. Therefore, we do not consume significant amounts of packaging materials for product packaging.

A3. The Environment and Natural Resources

General Disclosure and KPIs

The Group's approach to fur farming is extremely respectful of the environment. The by-product of the fur farming were used. Animal fats from minks were used in the production of bio-diesel. The rest is fully utilized for CO_2 neutral energy, as fertilizers for growing crops and for cement production, etc. The feeds of the minks used the by-products from fish and meat industries that which otherwise be disposed of. The Group had put tremendous effort into conserving the natural resources in the process of mink farming and wish to create a sustainable production chain which can minimizes its impact on the environment.

The fur trading and securities businesses of the Group has remote impact on the environment and natural resources, nevertheless, as an ongoing commitment to good corporate social responsibility, we recognize the responsibility in minimizing the negative environmental impact of our business operations, in order to achieve sustainable development for generating long-term values to our stakeholders and the community as a whole.

The Group works tirelessly to mitigate the environmental impact of its activities through adopting industry best practices targeted at reducing natural resources consumption and effective emission management. We regularly assess the environmental risks of our businesses, and adopt preventive measures as necessary to reduce the risks and ensure the compliance of relevant laws and regulations.

Indoor Air Quality

Indoor air quality in our workplace is regularly monitored and measured. By adopting air purifying equipment in the workplace as well as conducting regular cleaning of air conditioning system, these measures resulted in maintaining indoor air quality and filtering out pollutants, contaminants and dust particles.

Respect of Nature and Protecting Biodiversity

During our procurement process, we widely procure minks with different colours and sex. We carefully selected the suppliers of the minks which have a transparent background of cultivation to make sure the minks were not captured cruelly in the nature.

B. Social

B1. Employment

General Disclosure

The Group considers that employees are the most valuable resource and believes that they are the Group's greatest asset. Our employees' expertise, capability, loyalty and contribution are the most essential elements to the success of the Group. In this regard, the Group wishes to retain our employees through providing a caring, safe, and positive working environment so that our staff could thrive together with us. The Group has established the internal Employee Handbook which covered recruitment, compensation, promotion, working hours and rest periods, diversity and equal opportunity, etc. We review, and if necessary revise, the Employee Handbook and our employment practices regularly to ensure that we comply with law regulations and continuously improve our employment standards.

The Group strictly complies with the *Employment Ordinance*, *Employment of Children Regulations*, *Employment of Young Persons (Industry) Regulations*, and other related regulations by the Labour Department. We also comply with the *Mandatory Provident Fund Schemes Ordinance* and laws by Inland Revenue Department ("IRD"). We also covered all employees in Hong Kong with insurances. We filed latest enrolment and exit records to Mandatory Provident Fund Schemes ("MPF") trustee and IRD on a timely basis. We also abide by the *Danish Salaried Employees Act* and other related labour regulations in Denmark. We also contributed pensions to all employees in Denmark as stipulated in the relevant regulations.

During the year ended 31 March 2019, the Group was not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact on the Group.

Talent Retention

We wish to create a warm and welcoming workplace for our employees, which is why we do not only comply with the labour regulations in Hong Kong and Denmark, but also provide attractive remuneration packages including holidays, annual leave, medical scheme, dental scheme, group insurance, MPF and discretionary bonus. Permanent full-time employees are eligible to join the rental reimbursement program, which provides housing benefits for our staff.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Recruitment, Promotion and Dismissal

The Group applies a transparent recruitment procedure and ensures all candidates are offered equal opportunity, regardless of their gender, race, age or any other demographic characteristics. Promotion of the Group's employees are subject to review regularly. The Group has established objective performance indicators for annual performance evaluation. Supervisor discusses the performance with employees in facilitating an effective two-way communication for advancement. Based on the evaluation result, we offer rewards to employees in encouraging continuous improvement. On top of that, employees could feel free to rotate among the Group and take up position in different operating segments to broaden their horizons. All the concerted effort added up to the reasonable turnover rate. The Group strictly prohibits any kind of unfair or illegitimate dismissals. Any appointment, promotion or termination of recruitment contract should be based on reasonable, lawful grounds and internal policies, such as Employee Handbook. For those who have poor working performance or constantly make mistakes, the Group would warn verbally before issuing a warning letter. For those who remain untamed despite making the same mistakes repeatedly, the Group would dismiss the person according to relevant laws in Hong Kong and Denmark.

Diversity, Equal Opportunity and Anti-discrimination

We recognise the value of a diverse and skilled workforce and are committed to creating and maintaining an inclusive and collaborative workplace culture in which all can thrive.

We are dedicated to providing equal opportunity in all aspects of employment and maintaining workplace that are free from discrimination, physical or verbal harassment against any individual on the basis of race, religion, colour, gender, physical or mental disability, age, place of origin, marital status, sexual orientation. We also have zero tolerance in any form of harassment including comments, innuendo or jokes relating to race, status, sex, uninvited physical contact, offensive or threatening communication.

Employees could resort to the Human Resources Department in case of any harassment or discrimination, the Department Head will give best advice to deal with the situation and investigation may be required to carry out to investigate into the issue.

We strive to ensure that complaints, grievances and concerns are dealt with promptly and confidentially. Appropriate disciplinary actions that range from apology, warning, or summary dismissal will be taken if the case is a confirmed complaint.

Work-life Balance

We recognize the importance of maintaining a healthy lifestyle and work-life balance of our employees. To achieve work-life balance, we do not encourage employees to work overtime.

We also actively engage employees through social, employee bonding, outing, volunteer works and charity activities. We have conducted the following to organize work-life balancing activities for employees:

- Christmas party;
- Lunar New Year gathering;
- Birthday celebration parties; and
- Early leave on festivals.

Communication with Employees

To understand the work satisfaction of our employees, we established various channels communicate with them, including seminar for new joiners and exit interviews with employees.

Image 1: Staff gathered for Christmas buffet

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Image 2: Birthday party for our staff and associates

Image 3: King Privilege Wealth Management Limited ("KPWM") was invited to participate in a partner's sport activity in January 2019

B2. Health and Safety

General Disclosure

We are committed to providing and maintaining a safe and healthy environment for all our employees, contractors, customers and others who visit or work on our premises and preventing work-related accidents, injuries and illnesses. We believe that employees are the valuable assets of an enterprise and regards human resources as its corporate wealth.

The Group follows the occupational health and safety guidelines recommended by Labour Department and Occupational Safety and Health Council, and regularly encourages employees to attend related workshops or training courses. The Human Resources Department also takes responsibilities for offices' staff occupational health and safety and relevant promotions and monitoring.

Safety Measures

The Group is responsible for monitoring and reviewing the safety and security management periodically. To safeguard the health and safety awareness of our staff, guidance was given on fire precaution to reduce the risk of fire and evacuation in case of emergency. A detailed escape route and layout of the offices were posted in the noticeable area to prepare employees for the emergency. Our offices were also equipped with adequate fire-fighting equipment in case of fire. The Group also conducted regular fire inspection to prevent blockage of escape route and ensure equipment were in perfect shape. All the above facilities and measures mitigated the risk of hazardous disaster.

The Group has considered a comfortable working environment is crucial to keeping our employees' health mentally and physically. Proper light and ventilation are also ensured to safeguard employees' health. Moreover, first aid boxes was available at easily accessible locations. Human Resources Department is responsible to ensure the supplies inside the first aid boxes are not outdated and functional.

For mink farming, staff operating the feeding wagon could be prone to injuries, therefore our staff will check whether the wagon is in good condition before operating it and remind each other about its safety.

During the year ended 31 March 2019, no injuries or accidents are reported. In additional, the Group was not aware of any material non-compliance with health and safety-related laws and regulations including but not limited to the *Occupational Safety and Health Ordinance* in Hong Kong, and the *Working Environment Act* in Denmark that would have a significant impact on the Group.

B3. Development and Training

General Disclosure

The Group regards our staff as the most important asset and resource. We recognise the valuable contribution our talents make to the continued success of the Group. We are committed to inspiring our human capital towards delivering excellence. This is achieved through development of training strategy that focuses on creating value and serving the needs of our customers, our talents and society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Training and Development Management

The Group understands that training and development management is indispensable for our staff to keep abreast of the latest trend in the finance industry and the dynamic pace in current domestic market. In light of this, the Group provides regular training, development programmes and training sponsorship.

The Group also organizes different training programmes to keep the staff updated with the market information. The Group has organised the Regulatory Update on Anti-money Laundering and Counter-terrorist Financing Seminar and IT Security Awareness Training. New Staff Orientation will also be provided to new joiners of the Group to help them to get familiar with the working environment and help them to build up a sense of belonging to the Group.

Image 4: Staff successfully completed the 2018 KPWM Elite Training Program

B4. Labour Standards

General Disclosure

Prevention of Child Labour and Forced Labour

Child and forced labour are strictly prohibited during the recruitment process as defined by laws and regulations both in Hong Kong and Denmark. The Group strictly complies with local laws and conducts recruitment based on the *Employment Ordinance* in Hong Kong and the *Children Act* in Denmark. Personal data are collected during the process to assist in the selection of suitable candidates and to verify candidates' personal data. The Human Resources Department also ensures identity documents are carefully checked. If violation is involved, it will be dealt with in the light of the circumstances as clearly stated in the Employee Handbook.

During the year ended 31 March 2019, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations, including but not limited to the *Employment Ordinance* in Hong Kong and the *Children Act* in Denmark that would have a significant impact on the Group.

B5. Supply Chain Management

General Disclosure

In the securities brokerage and other financial businesses, we offer financial planning and consultancy, wealth succession and trust planning, insurance and risk management, fund management, funds, bonds and stocks trading services, and credit and lending services for individual and corporate investors. Among these services, no suppliers are involved.

In our fur trading business, the Group takes serious concern in monitoring the work flow of whole supply chain to ensure there was no non-compliance issue relating to the rules in both Hong Kong and Denmark. We especially cared about the animal rights and ethical issues when we chose the suppliers. We have maintained a list of suppliers which are committed to the protection of animal rights and make sure no animal abuse was committed by the supplier. The performance of each supplier was monitored and well recorded.

The Group also strictly abides by the *Code of Practice for the Care* and *Health of Farmed Mink, Fitch and Fox* in Europe issued by the European Fur Breeders' Association and relevant Danish legislative provisions. We paid attention to the killing method adopted by the slaughterhouse and the auction house, in case of any mistreatment or unethical killing was conduct, we would terminate the partnership immediately. Apart from the government inspection, the European Fur Breeders' Association will also conduct regular check-up on the farms twice a year.

Besides abiding the law and regulation on animal welfare in Denmark, the Group is also aware of obeying the *Protection of Endangered Species of Animals and Plants Ordinance* of Hong Kong.

B6. Product Responsibility

General Disclosure

The satisfaction of our customers is the cornerstone of the sustainable development of the Group. Aforementioned, all the farms have already obtained the relevant permits in mink farming business. We regularly reviewed and updated our quality control standards to comply with the latest laws and regulations. We are glad to announce that during the year ended 31 March 2019, there was no major dispute regarding product quality. In the future, we will continue to strive to optimize and improve the quality of products and services according to the requests of the customers.

Complaint Channel

We strive to offer excellent service and products to our customers. Customers' feedback and opinions are exceptionally valuable to us and provide us with insight and drive to improve. We promise to listen and respond promptly to the feedback shared by our customers. If we receive any complaints, our compliance officer will investigate the complaint and submit report to management for review and approval for taking appropriate action. The Group commits to responding to enquiries in a timely manner and following up the case. All complaints received will be addressed under reasonable situation.

For the securities brokerage, fur trading business and other financial services business, we received no complaints during the year ended 31 March 2019. We are delighted that our customers feel satisfied about the product and service we provided and we commit to continually do our best to provide the best service we can.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Customer Service

The Group reviews all complaints from customers, suppliers and partners in accordance with internal procedures and guidelines. Appropriate follow-up measures will be taken. If applicable, the Group will conduct relevant investigations to resolve complaints and make improvements accordingly. The Group believes that complaints are good opportunities to get feedback from the community and customers, so as to assure the necessity of improving our services and policies.

Protection of Privacy

The Group recognizes the protection of customers' and partners' privacy is the key for its success. Therefore, protecting and maintaining customers' privacy always remain in the first priority of the Group. The Group has established security measures to provide adequate protection and encryption for data and information upon operation and protect the information and maintain it confidential during operation. At the same time, the Group has established strict policies for the collection and use of personal data.

Advertising and Labelling

Based on the business nature of the Group, the Group only conducts limited publicity activities. Therefore, the business operations of the Group do not involve material advertising and labelling related risks.

Animal Welfare

The Group leverages high importance on animal welfare as much as the quality of fur products. Their health is our priority concern. Our Danish mink farms closely follow the *Recommendation concerning Fur Animals* proposed by Council of Europe, Human Rights and Legal Affairs. The regulation stipulates that the farms should maintain good husbandry and stockmanship by maintaining a good environment to keep the stocks healthy and provides for the fulfilment of their biological needs. The stockman would inspect the cages at least once a day to monitor the health of the minks. The nest box was designed to give sufficient floor area for the minks to make sure they have adequate freedom of movement, physical comfort and adequate opportunity for grooming, eating, drinking, territorial marking and social contact. A single adult animal would have free area of 2,550 cm^2 while juvenile after weaning up would enjoy the same area of space. The height of the cages was also sufficient to allow the minks to rear on their hind legs. Straws and water were provided regularly to ensure adequacy especially in winter and infantry stage.

Annual statutory veterinarian visits will be paid by Danish government to check on the health and welfare issues on farms. During the visits, the government organizations confirmed that the farms did not violate any of the regulations during the year ended 31 March 2019.

During the year ended 31 March 2019, the Group was not aware of any incidents of non-compliance with laws and regulations, including but not limited to the *Personal Data (Privacy) Ordinance* of Hong Kong and the *Danish Data Protection Act* of Denmark, that have a significant impact on the Group, concerning advertising, labelling and privacy matters relating to products and services provided.

B7. Anti-corruption

General Disclosure

Anti-corruption

Being unattended to anti-corruption imposes great risk to the Group's business. Therefore, the Group is fully conscious to anti-corruption cases and does not tolerate any corruptions, frauds and all other behaviours violating work ethics. The Group values and upholds integrity, honesty and fairness in how we conduct business. Accepting or offering gifts were also strictly forbidden. Our *Code of Conduct — Prevention of Bribery* suggested that employees would be fired under this severe misconduct.

Anti-money Laundering and Counter-terrorist Financing

We have established the Anti-money Laundering and Counter-terrorist Financing Policies and Procedures to help the Group in combating any anti-corruption activities. The guideline provides a framework and general guideline to all staff and financial advisors in how to identify money laundering cases and the procedure in customer due diligence. Employees should directly report the case to the Department Head or higher management once they devised any suspicious cases of money laundering.

We confirm that during the year ended 31 March 2019, there was no violation against the rules and regulations in all the operating segments.

Whistleblowing Mechanism

In order to further achieve and maintain the highest standards of openness, probity and accountability, the Group has also implemented a whistleblowing policy. This policy allows all employees of the Group to report any possible fraud, deception, theft, forgery, corruption or any illegal activities to the Human Resources Department and management anonymously. Reports and complaints received will be handled in a prompt and fair manner. Any person who is found to have victimised or retaliated against those who have raised concerns under this policy will be subjected to disciplinary sanctions.

During the year ended 31 March 2019, the Group did not notify any material non-compliance with the relevant laws and regulations related to bribery, extortion, fraud and money laundering including but not limited to the *Prevention of Bribery Ordinance* of Hong Kong and the *Danish Criminal Code* in Denmark.

B8. Community Investment

General Disclosure

Being committed to social responsibility is one of the corporate cultures of the Group. We always actively nurturing the well-being of society in which we operate. We strongly believe that a responsible corporate should not detached from its social responsibility. Therefore as a corporate citizen, the Group is committed to embolden and support the public by the means of social participation and contribution as part of its strategic development. We aim to promote the stability of the society, and support underprivileged on rehabilitation to improve the quality of life. We also focus to inspire our employees towards social welfare concerns. We would embrace the human capital into the social management strategies to sustain our corporate social responsibility as a part of the strategic development of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Community Investment and Participation

We participate in community activities, for example, donations, volunteering services, sponsorships, etc. With the active participation in community events to help the needy. We also regularly communicate with local charities to understand community's needs. We believe it helps to connect us with the local community, and maintain a mutually beneficial relationship to the society as a whole. During the year ended 31 March 2019, the Group supported the Well Family Charity Foundation Limited on the Mid-Autumn Festival celebration by donating to the event, wishing to bring a joyful festival to the low-income families and elderlies. We also commit to social charity works through inputting manpower into charity activities besides donation. In mid-October 2018, the Group's subsidiary, KPWM has formed a volunteer team to help in the "The 11th Reading Dreams Annual Dinner" held by the Reading Dreams Charity Foundation. On the Charity Night, management and colleagues from the Group also participated in the event to show their support and contributed to charity. The Group has also donated to the Reading Dreams Charity Foundation to support their charitable works in rural areas in the Mainland.

To further support the under privileged children in China, KPWM had title sponsored the Reading Dreams Charity Foundation library located in Zhongning County, China, the library was named after KPWM. KPWM fully supports the basic education of rural areas in China and contributes to the future of children.

During the year ended 31 March 2019, the Group made charitable contribution totalling HK$161,000.

Image 5: Staff visited under-privileged child in China with Reading Dreams Charity Foundation

INDEX TABLE OF ESG REPORTING GUIDE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1 ("Comply or explain")	The types of emissions and respective emissions data.	Emissions — Air Emissions, GHG Emissions, Waste Management, Wastewater Discharge
KPI A1.2 ("Comply or explain")	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	Emissions — GHG Emissions
KPI A1.3 ("Comply or explain")	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emissions — Waste Management
KPI A1.4 ("Comply or explain")	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emissions — Waste Management (not applicable — explained)
KPI A1.5 ("Comply or explain")	Description of measures to mitigate emissions and results achieved.	Emissions — Air Emissions, GHG Emissions
KPI A1.6 ("Comply or explain")	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions — Waste Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1 ("Comply or explain")	Direct and/or indirect consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity.	Use of Resources — Energy Consumption
KPI A2.2 ("Comply or explain")	Water consumption in total and intensity.	Use of Resources — Water Consumption
KPI A2.3 ("Comply or explain")	Description of energy use efficiency initiatives and results achieved.	Use of Resources — Energy Consumption
KPI A2.4 ("Comply or explain")	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources — Water Consumption
KPI A2.5 ("Comply or explain")	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources — Use of Packaging Materials (not applicable — explained)
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1 ("Comply or explain")	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources — Environmental Impact of Projects, Indoor Air Quality, Respect of Nature and Protecting Biodiversity

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment

REPORT OF THE DIRECTORS

The Directors are pleased to present their annual report together with the consolidated financial statements of the Company for the year ended 31 March 2019.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 39 to the consolidated financial statements.

Segmental Information

The Group's segment information and revenue for the year ended 31 March 2019 are set out in Note 6 to the consolidated financial statements.

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 7 of this annual report.

Principal Risks and Uncertainties

The Group's for 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. For securities and other financial services businesses, insurance brokerage and money lending, they are subject to the sentiment and conditions of the equity markets in Hong Kong as well as the compliance risk for licensees activities.

Contingent Liabilities

During the year ended 31 March 2019, 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 raise its relative social responsibility to its stakeholders. For details, please refer to the section "Environmental, Social and Governance Reporting" set out in this annual report.

Compliance with Relevant Laws and Regulations

During the year ended 31 March 2019, the Board was not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the Group.

REPORT OF THE DIRECTORS

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 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 2019 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 69 to 177. The Directors do not recommend the payment of final dividend for the year ended 31 March 2019 (2018: Nil).

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 2019, as extracted from the consolidated financial statements in the previous and current annual reports of the Company, is set out on page 178 of this annual report. This summary does not form part of the consolidated financial statements.

Future Prospects and Development

For the industry as a whole, Danish mink production is estimated by Kopenhagen Fur to reduce by 35% as figures from the Danish feed kitchens showed that feed sales were down 31% in February 2019, reflecting a similar decline in the number of breeding females.

Although demand is not expected to rise any time soon, the reduction in global production will bring a decline in supply. Management is looking to a stabilisation of the market and price of mink will recover to a more normal level. Management is cautiously optimistic of an improvement in Fur business in the coming year.

REPORT OF THE DIRECTORS

Despite the economic downturn and ongoing trade war between the US and China, we remain positive about the business growth of brokerage business, wealth management services and financial services. With our dual development strategy with a view to enhancing the securities and other financial services business and the expansion of wealth management for high net worth customers, we anticipate that these efforts will further strengthen the overall profit model of the Group.

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 71 and Note 40 to the consolidated financial statements respectively.

Property, Plant and Equipment

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

Share Capital and Share Options

Details of the Company's share capital and share options movements during the year are set out in Notes 30 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 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REPORT OF THE DIRECTORS

Major Customers and Suppliers

The percentages of purchases and sales for the year ended 31 March 2019 attributable to the Group's major suppliers and customers are as follows:

	Approximate % to total revenue for the year ended 31 March 2019
Purchases	
— the largest supplier	30.3%
— the five largest suppliers combined	72.1%
Sales	
— the largest customer	31.0%
— the five largest customers combined	64.8%

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 Contributions

During the year, the Group made charitable contribution totalling HK$161,000 (2018: HK$261,000).

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
Mr. Hung Wai Che
Mr. Tang Tat Chi

Pursuant to article 84(1) of the Company's Articles of Association, Mr. Tang Tat Chi and Mr. Hung Wai Che will retire by rotation at the forthcoming AGM and being eligible, offer themselves for re-election at the AGM.

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. The term of office of all Directors is 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.

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/her 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 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 2019, 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.

REPORT OF THE DIRECTORS

Directors' Interests in Transactions, Arrangements and Contracts

No transactions, arrangements and contracts of significance to the business of the Group to which the Company or any of its 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 2019.

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 2019.

Connected Transactions

During the year ended 31 March 2019, the Group had the following continuing connected transactions which were disclosed in accordance with the requirements of Chapter 14A of the Listing Rules.

Tenancy Agreement entered into between Great Roc and Top Value

The Company completed the acquisition of the entire issued share capital of Great Roc Capital Securities Limited ("Great Roc") on 20 January 2017. On 15 December 2016, Great Roc as tenant entered into a tenancy agreement with Top Value Limited as landlord ("Top Value"), a company wholly-owned by Mr. Yan Kam Cheong ("Mr. Yan"), who was a substantial shareholder of the Company until 17 August 2018, for a term of two years commencing 1 February 2017 to 30 January 2019. The said tenancy agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules since Great Roc became the wholly-owned subsidiary on 20 January 2017. The continuing connected transactions with Top Value are subject to reporting, announcement and annual review but exempted from independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Yan was no longer a substantial shareholder of the Company and ceased to be a connected person (as defined in chapter 14A of the Listing Rules) of the Company on 16 August 2018, the transactions with Top Value ceased to be continuing connected transactions of the Company.

The annual cap for the year ended 31 March 2019 is HK$3,342,000.

During the period from 1 April 2018 to 30 January 2019, the continuing connected transactions between Great Roc and Top Value amounted to HK$3,342,000.

For details, please refer to the announcement of the Company dated 20 January 2017.

Licence Agreement entered into among UKF Management, Kingkey Enterprise and KK Culture

On 24 January 2019, UKF Management Limited ("UKF Management") (as Licensee), a wholly-owned subsidiary of the Company, entered into a licensing agreement (the "Licence Agreement") with Kingkey Enterprise Hong Kong Limited ("Kingkey Enterprise") and KK Culture Holdings Limited ("KK Culture") (together as Licensors), where the Licensors agreed to lease certain areas of the office premises of 44/F, Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong to the Licensee for the period from 24 January 2019 to 15 May 2020 (both days inclusive), at a monthly rent of HK$580,000 (exclusive of Government rates, management fee and air-conditioning charges).

The annual caps of the said leasing for the Company for the year ended 31 March 2019 and years ending 31 March 2020 and 2021 are HK$1,700,000, HK$8,200,000 and HK$1,100,000 respectively.

For the year ended 31 March 2019, the actual rental and other fee and charges under Licence Agreement (including management fee, air-conditioning, rates and utilities) paid by UKF Management amounted to HK$1,485,000.

The terms of the Licence Agreement were negotiated on an arm's length basis and the rental chargeable under the Licence Agreement was determined after taking into account the prevailing market rental rates as advised by an independent surveyor. The Directors (including the independent non-executive Directors) considered that the Licence Agreement was entered into in the ordinary and usual course of business of the Company, and its terms are on normal commercial terms and are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

As Kingkey Enterprise is wholly-owned by Mr. Chen Jiarong, the Controlling Shareholder of the Company, holding approximately 72.87% interest in the Company and also an associate of a substantial shareholder of KK Culture; both Kingkey Enterprise and KK Culture, being associated with Mr. Chen Jiarong, are connected persons of the Company. Accordingly, the transactions contemplated thereby constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios calculated under the Listing Rules for the transactions contemplated under the Licence Agreement are less than 5%, such transactions are subject to reporting, annual review and announcement requirements but exempt from independent Shareholders' approval requirement pursuant to Rule 14A.76(2) of the Listing Rules.

For details, please refer to the announcement of the Company dated 24 January 2019.

Kingkey Enterprise is an investment holding company incorporated in Hong Kong with limited liability and KK Culture is a company incorporated in Cayman Islands with limited liability and continued in Bermuda, the shares of which are listed on the Stock Exchange (stock code: 550).

Save as disclosed above, none of the related party transactions as disclosed in Note 35 to the consolidated financial statements for the year ended 31 March 2019 constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

REPORT OF THE DIRECTORS

The independent non-executive Directors have reviewed and confirmed that all the continuing connected transactions taken place during the year and up to the year ended 31 March 2019 were (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing the same on terms that are fair and reasonable and in the interests of the Company's shareholders as whole. Moreover, the Company's auditor has provided an unqualified letter to the Board containing their findings and conclusions in respect of the continuing connected transactions taken place during the year ended 31 March 2019 in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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

As at 31 March 2019, 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)
Mr. WONG, Chun Chau	Beneficial owner	70,698,240	1.53%
Ms. KWOK, Yin Ning	Beneficial owner	27,809,600	0.60%

Note: Such percentage was calculated against the number of issued shares of the Company as at 31 March 2019, being 4,556,923,015 shares.

Save as disclosed above, as at 31 March 2019, neither the Directors nor the chief executives of the Company had interests or short positions in the shares, underlying 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

As at 31 March 2019, the following parties (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company, being 5% or made in the issued share capital 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	Number of Shares	Approximate percentage of shareholding in the Company (Note 3)
Excel Blaze Limited (Note 1)	Beneficial owner	346,150,000	7.50%
Perfect Thinking Global Limited (Note 2)	Beneficial owner	3,355,819,533	72.71%
Mr. Chen Jiarong (Note 2)	Beneficial owner	7,289,200	0.16%

Note:

1 Excel Blaze Limited is wholly and beneficially owned by Mr. Yan Kam Cheong.

2. Perfect Thinking Global Limited ("Perfect Thinking") is wholly and beneficially owned by Mr. Chen Jiarong and Mr. Chen Jiarong is deemed to be interested in the Shares in which Perfect Thinking is interested.

3. Such percentage was calculated against the number of issued shares of the Company as at 31 March 2019, being 4,556,923,015 shares.

Save as disclosed above, as at 31 March 2019, 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 2019 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.

REPORT OF THE DIRECTORS

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 4.22% 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.

REPORT OF THE DIRECTORS

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 2019:

	Number of shares to be allotted and issued under share options							
Name or category of participant	As at 1 April 2018	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 March 2019	Date of grant of share options	Exercise price of share options (Note 1) HK$	Exercise period of share options
Directors								
Mr. WONG Chun Chau	34,698,240	–	(34,698,240)	–	–	1 August 2012	0.120	Note 2
Ms. KWOK Yin Ning	22,809,600	–	(22,809,600)	–	–	1 August 2012	0.120	Note 2
Employees	1,058,880	–	(1,058,880)	–	–	1 August 2012	0.151	Note 3
	58,566,720	–	(58,566,720)	–	–			

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. (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.

On 26 October 2018, an extraordinary general meeting was held and a refreshment of scheme limit under the Share Option Scheme was approved to issue up to 461,548,973 options.

The following table sets out the change of number of share options outstanding under the Share Option Scheme during the year ended 31 March 2019:

	Number of shares to be allotted and issued under share options							
Name or category of participant	As at 1 April 2018	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 March 2019	Date of grant of share options	Exercise price of share options HK$	Exercise period of share options
Directors								
Employees	–	100,800,000	–	–	100,800,000	20 September 2018	0.253	Note
	–	100,800,000	–	–	100,800,000			

Note: The above share options are exercisable 24 months commencing from the date of grant.

Saved as disclosed above, no share options were granted, exercised, leased or cancelled during the financial year.

Share Award Scheme

On 14 September 2018 (the “Adoption Date”), the Company has entered into a trust deed (the “Trust Deed”) with Core Pacific-Yamaichi International (H.K.) Nominees Limited (the “Trustee”) to set up a trust for the share award scheme (the “Scheme”) and the Trustee will exercise its powers to purchase Shares to be held upon the Trust pursuant to the rules relating to the Scheme Rules and the Trust Deed. To the best of knowledge of the Directors, information and belief, after having made all reasonable enquiries, the Trustee and its ultimate beneficial owners are independent third parties of the Company and its connected persons under the definitions of Chapter 14 of the Listing Rules.

Pursuant to the terms of the Scheme, the remuneration committee of the Company (“Remuneration Committee”) and the Board shall determine the number of Shares to be purchased by the Trustee out of cash paid by the Company by way of settlement to the Trustee (the “Awarded Shares”) awarded by the Board to be awarded to the employees selected by the Remuneration Committee and the Board (the “Selected Employees”). Subject to the absolute discretion of the Board, the Awarded Shares (where the Board has determined such number pursuant to the terms of the Scheme) shall be acquired by the Trustee from open market by utilizing the Company’s resources provided to the Trustee.

The Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules. No Shareholders’ approval is required to adopt the Scheme.

The purposes of the Scheme are to recognise the contributions by the Selected Employees and give incentives to them in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

REPORT OF THE DIRECTORS

Subject to any early termination as may be determined by the Board pursuant to the terms of the Scheme, the Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

The Remuneration Committee and the Board shall not make any further award of Shares which will result in the aggregate number of Shares awarded by the Board throughout the duration of the Scheme to be in excess of 5% of the issued share capital of the Company as at the Adoption Date. The maximum aggregate number of the Awarded Shares which may be awarded to a Selected Employee under the Scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date. As at the date of the Adoption Date, the number of issued Shares of the Company is 4,615,489,735 Shares.

Operation of the Scheme

The Remuneration Committee and the Board may, from time to time, at their absolute discretion select any Employees (excluding any Excluded Employee) to participate in the Scheme as a Selected Employee. Subject to the terms of the Scheme, the Remuneration Committee and the Board shall determine the number of Awarded Shares to be awarded to the Selected Employees. The Board is entitled to impose any conditions as they deem appropriate in their absolute discretion with respect to the vesting of the Awarded Shares on the Selected Employees. Where any grant of Awarded Shares is proposed to be made to connected persons of the Company, such grant of Awarded Shares has to be approved in advance by the independent non-executive Directors of the Company. The Company shall comply with the applicable provisions of Chapter 14A of the Listing Rules and such Connected Persons and their associates shall abstain from voting on the relevant general meeting in approving such grant of Awarded Shares. After the Board has approved any grant of Awarded Shares, the Board shall as soon as practicable inform the Trustee of, among others, (a) the identity of the relevant Selected Employee, and whether the Selected Employee is a Connected Person; (b) the number of Awarded Shares awarded to the relevant Selected Employee; (c) the Vesting Date; (d) conditions, restrictions or limitations (if any) accordingly; and (e) whether the Awarded Shares or any part thereof should be purchased.

Restrictions

No payment shall be made to the Trustee pursuant to the Scheme and no instructions to acquire Shares shall be given to the Trustee under the Scheme and the Trustee shall not sell the Awarded Shares for the relevant Selected Employees where: (a) any Director or the relevant Employee is in possession of any inside information (as defined in the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)) in relation to the Company; or (b) dealings by Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.

Vesting of Awarded Shares

The Trustee shall vest any Awarded Shares and Related Income held by the Trustee under the Trust to the Selected Employee on the Vesting Date determined at the discretion of the Board, provided that the Selected Employee remains an Employee of the Group at all times after the Reference Date up to the relevant Vesting Date.

No voting rights

A Selected Employee shall have no rights except contingent interest in respect of the Awarded Share until the Shares are vested in the Selected Employee pursuant to the Scheme. The Trustee shall not exercise any voting rights in respect of any Shares held under the Trust (including but not limited to the Awarded Shares, the Further Shares, the Returned Shares, any bonus Shares and scrip Shares).

For the year ended 31 March 2019, no shares were granted. As at 31 March 2019, the Company had no Awarded Shares outstanding.

Related Party Transactions

During the year ended 31 March 2019, the Group entered into certain related party transactions, details of which re set out in Note 35 to the consolidated financial statements of the Group. None of these transactions constitute a discloseable connected transactions or continuing connected transactions in accordance with the Listing Rules except for those disclosed in the section headed “Connected Transactions” in this report.

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 20.

The Company has received the said written confirmation for the year ended 31 March 2019 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 2019 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).

Events after the Reporting Period

There are no significant events taken place after 31 March 2019 and up to the date of this report.

Sufficiency of Public Float

Throughout the year ended 31 March 2019 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.

REPORT OF THE DIRECTORS

Review of Annual Results by Audit Committee

The Company has established the Audit Committee which comprises all three independent non-executive Directors. The current members are Ms. Mak Yun Chu, Mr. Hung Wai Che and Mr. Tang Tat Chi. The Group's annual results for the year ended 31 March 2019 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 2019 have been audited by HLM CPA Limited.

On behalf of the Board
UKF (Holdings) Limited

Wong Chun Chau
Chairman and Executive Director
27 June 2019

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

Rooms 1501-8, 15th floor, Tai Yau Building
181 Johnston Road, Wanchai, Hong Kong.
香港灣仔莊士敦道181號大有大廈15樓1501-8室
Tel 電話: (852) 3103 6980
Fax 傳真: (852) 3104 0170
E-mail 電郵: info@hlm.com.hk

TO THE MEMBERS OF UKF (HOLDINGS) LIMITED
英裘(控股)有限公司
(Incorporated in Cayman Islands with limited liability)

Opinion

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 69 to 177, which comprise the consolidated statement of financial position as at 31 March 2019, and 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Key audit matters *(Continued)*

Valuation of biological assets (refer to Note 18 to the consolidated financial statements)

Biological assets are held at fair value less costs to sell determined based on net present value of cash flow arising in the production of mink.

We identified the valuation of biological assets as a key audit matter due to the complexity of the valuation process involving significant degree of judgements and estimates by the management regarding various inputs. These inputs include the discount rate, birth rate, feeding cost and overhead. We identified this as a risk due to the inherent uncertainty around the estimates.

Our response

Our main procedures in relation to the valuation of biological assets included:

(i) Assessing the independence and competence of the independent external valuer appointed by the Group;

(ii) Assessing the accuracy and relevance of the input data provided by management to the independent external valuer by challenging and corroborating market data and information on similar transactions from independent sources;

(iii) Evaluating the appropriateness of methodology and assumptions used by the independent external valuer;

(iv) Testing the mathematical accuracy of the underlying valuation;

(v) Evaluating the reasonableness of market price of fur skin, by tracing the market value of fur skin to the auction data;

(vi) Assessing whether the relevant disclosures in the consolidated financial statements are sufficient and appropriate; and

(vii) Evaluating the sensitivity analysis on changes in material inputs used in valuation.

Based on our procedures performed, we found that estimations by management in relation to the valuation of biological assets was supported by available evidence.

Key audit matters *(Continued)*

Provision for inventories (refer to Note 19 to the consolidated financial statements)

As at 31 March 2019, the Group's inventories, net of provision, amounted to approximately HK$54,192,000 and represented approximately 7% of consolidated total assets of the Group.

Management has a formal provisioning policy based on historical performance, future trading forecasts and market data. As gross margins on sales of pelted skin inventory can be low and inventory is sometimes sold at a loss, provisions are recorded against inventory to write it down to the Group's best estimate of its recoverable amount.

Given the significant level of judgement involved, we identified this key audit matter as a potential fraud risk.

Our response

Our main procedures in relation to the provision for inventories included:

(i) Completing a walkthrough of the inventory valuation process and assessed the design and implementation of the key controls addressing the risk;

(ii) Challenging the provisioning policy set by the Group with reference to past data and industry knowledge;

(iii) Testing the underlying data used to calculate the provision;

(iv) Recalculating the provision in local markets using location specific industry knowledge; and

(v) Evaluated how the Group has adequately assessed whether the carrying value exceeds the net realisable value.

We found the estimation and judgements made by the management in respect of the provision to be reasonable.

Impairment assessment of goodwill (refer to Note 15 to the consolidated financial statements)

The Group has, in aggregate, goodwill of approximately HK$106,814,000, net of impairment of HK$20,536,000, relating to the cash-generating units in securities and insurance brokerage segments as at 31 March 2019.

Management had made an assessment of the recoverable amount of the cash-generating units in securities and insurance brokerage segments with reference to independent external valuations conducted at the end of the reporting period. The assessment of the recoverable amount involved significant management judgements on the key assumptions and assertions used in cash flow projections prepared based on financial forecasts covering a 3 to 5-year period, and significant estimates with respect to future revenue growth, discount rate and other relevant factors.

INDEPENDENT AUDITOR'S REPORT

Key audit matters *(Continued)*

Our response

Our main procedures in relation to the impairment assessment of goodwill included:

(i) Understanding the methodology applied by management in performing its impairment test for each of the relevant CGUs and walked through the controls over the process;

(ii) Performing our own sensitivities on the group's forecasts and determined whether adequate headroom remained;

(iii) Performing detailed testing to critically assess and corroborate the key inputs to the valuations for certain CGUs, including:

- analysing the historical accuracy of budgets to actual results to determine whether forecast cash flows are reliable based on past experience;

- visiting factories and analysing historical data to better understand the operations and to assess the ability to achieve forecast volume growth, operational improvements and production yields;

- challenging management's ability to achieve both price and volume increases through understanding and corroborating the status of customer negotiations and analysing the impact and exposure to changes in commodity costs;

- performing current market and historical analysis to corroborate future price assumptions with support from our valuation specialist;

- in conjunction with our valuation specialists, corroborating the discount rate used by obtaining the underlying data used in the calculation and benchmarking it against market data and comparable organisations;

- validating the growth rates assumed by comparing them to economic and industry forecasts; and

(iv) Assessing the independence, competence and objectivity of the independent external valuer appointed by the Group.

Based on our procedures described, we found that estimations by management in relation to impairment assessment of goodwill was reasonable.

Key audit matters *(Continued)*

Impairment assessment of trade receivables arising from margin clients and loan receivables (refer to Notes 20 and 21 to the consolidated financial statements)

Upon the adoption of HKFRS 9 Financial Instruments on 1 April 2018, impairment assessment of trade receivables arising from margin clients and loan receivables is estimated based on an expected credit loss ("ECL") model rather than an incurred loss model. In respect of impairment allowance on trade receivables arising from margin clients, the difference between the previously reported carrying amounts and the new carrying amounts of impairment allowance as of 31 March 2018 and 1 April 2018 was HK$822,000 and has been recognised in the opening accumulated losses.

As at 31 March 2019, the Group had trade receivables arising from margin clients of HK$244,302,000 from brokerage and margin financing business and loan receivables of HK$36,004,000 from money lending business. Impairment provision of HK$1,632,000 and HK$96,000 had been made over trade receivables arising from margin clients and loan receivables respectively for the year ended 31 March 2019.

Assessing impairment of trade receivables arising from margin clients and loan receivables is a subjective area as it requires application of significant judgement and uses of estimates. At each reporting date, the Group assesses whether there has been a significant increase in credit risk of default occurring over the expected life of the individual receivable between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information, and forward-looking analysis. Judgement is applied in assessing customers that may default and identifying evidence of impairment which include assessment on creditworthiness of customers, their repayment history, and application of collateral ratio, that is the level of securities collateral in proportion to the outstanding receivables balance. Estimates are used in assessing the recoverable amount of the securities collateral.

Due to the significance of trade receivables arising from margin clients and loan receivables (representing approximately 37% collectively of total assets) and the corresponding uncertainty inherent in such estimates, we considered this as a key audit matter.

Our response

Our main procedures in relation to the impairment assessment of trade receivables included:

(i) Understanding, evaluating and validating the controls over the impairment assessment of trade receivables arising from margin clients and loan receivables, which related to management's identification of events that might trigger the Significant Increase in Credit Risk ("SICR") of loan receivables and events of default;

(ii) Testing the appropriateness of the Group's determination of SICR and the basis of classification of exposures into the 3 stages as required by HKFRS 9. Our testing included the checking to margin clients overdue information, collateral ratio and other factors determining the stage classification as determined by the Group;

(iii) Assessing, on a sample basis, the recoverability of the outstanding receivables through our discussion with management and with reference to credit profiles of the customers, available data, information and the latest correspondence with customers and checking subsequent settlements;

(iv) Assessing the reasonableness of the Group's criteria for assessing if there has been a SICR and so allowances for financial assets should be measured on a life-time ECL basis and the qualitative assessment;

INDEPENDENT AUDITOR'S REPORT

Key audit matters *(Continued)*

Our response *(Continued)*

(v) Re-performing management's calculation of loss allowances under the ECL model which grouped together all the receivables with similar risk characteristics and based on the probability of default, exposure at default and loss given default; and

(vi) Verifying the balances of trade receivables arising from margin clients and loan receivables by requesting and receiving confirmations on a sample basis.

We found the estimations and judgements made by the management in respect of the impairment assessment of trade and loan receivables to be reasonable.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

HLM CPA Limited
Certified Public Accountants

Ho Pak Tat
Practising Certificate Number: P05215
Hong Kong, 27 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5 & 6	**113,546**	200,268
Cost of sales		**(78,896)**	(122,719)
Gross profit		**34,650**	77,549
Other income	7	**4,594**	36,614
Impairment of goodwill	15	**(20,536)**	—
Change in fair value less costs to sell of biological assets	18	**7,565**	12,339
Change in fair value of financial assets at fair value through profit or loss		**353**	—
Loss on early redemption of promissory note		**(7,099)**	(5,158)
(Provision for) reversal of impairment of trade receivables, net		**(1,632)**	718
Provision for impairment of loan receivables	21	**(96)**	—
Bad debts write-off		**—**	(3,041)
Administrative expenses		**(95,805)**	(108,052)
Finance costs	8	**(10,802)**	(11,512)
Loss before tax	9	**(88,808)**	(543)
Income tax expense	11	**(397)**	(7,366)
Loss for the year		**(89,205)**	(7,909)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of overseas operations		**(12,261)**	(9,660)
Change in fair value of available-for-sale investment		**—**	346
Total other comprehensive expense for the year, net of tax		**(12,261)**	(9,314)
Total comprehensive expense for the year		**(101,466)**	(17,223)
Loss for the year attributable to:			
Owners of the Company		**(85,782)**	(6,710)
Non-controlling interests		**(3,423)**	(1,199)
		(89,205)	(7,909)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(98,043)**	(16,024)
Non-controlling interests		**(3,423)**	(1,199)
		(101,466)	(17,223)
Loss per share	13		
Basic		**(1.87) cents**	(0.15) cents
Diluted		**(1.87) cents**	(0.15) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	14	**105,515**	128,128
Goodwill	15	**106,814**	127,350
Intangible asset	16	**500**	500
Financial assets at fair value through profit or loss	17	**11,559**	—
Available-for-sale investment	17	**—**	11,206
Deposits	20	**2,121**	2,335
		226,509	269,519
Current assets			
Biological assets	18	**8,954**	23,472
Inventories	19	**54,192**	45,799
Trade and other receivables	20	**274,185**	427,626
Loan receivables	21	**36,004**	3,500
Tax recoverable		**7,577**	501
Bank balances held on behalf of clients	22	**49,011**	91,569
Bank balances and cash	23	**100,821**	100,440
		530,744	692,907
Current liabilities			
Trade and other payables	24	**83,140**	124,376
Tax payables		**6,692**	10,849
Bank borrowings	25	**199,182**	169,000
Obligations under finance lease	26	**182**	375
Corporate bond — within one year	27	**10,000**	—
		299,196	304,600
Net current assets		**231,548**	388,307
Total assets less current liabilities		**458,057**	657,826
Non-current liabilities			
Obligations under finance lease	26	**78**	290
Corporate bond — over one year	27	**—**	10,000
Promissory note	28	**—**	99,244
		78	109,534
Net assets		**457,979**	548,292
Capital and reserve			
Share capital	30	**46,155**	45,569
Reserves		**414,581**	502,248
Equity attributable to the owners of the Company		**460,736**	547,817
Non-controlling interests		**(2,757)**	475
Total equity		**457,979**	548,292

The consolidated financial statements on pages 69 to 177 were approved and authorised for issue by the Board of Directors on 27 June 2019 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 2019

	Attributable to the owners of the Company									
	Share capital	Share premium	Merger reserve	Share option reserve	Investments revaluation reserve	Translations reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2017	39,110	486,815	(7,122)	5,306	(1,009)	2,702	(98,826)	426,976	–	426,976
Loss for the year	–	–	–	–	–	–	(6,710)	(6,710)	(1,199)	(7,909)
Other comprehensive (expense) income for the year										
Exchange difference on translation of overseas operation	–	–	–	–	–	(9,660)	–	(9,660)	–	(9,660)
Change in fair value of available-for-sale investment	–	–	–	–	346	–	–	346	–	346
Total comprehensive income (expense) for the year	–	–	–	–	346	(9,660)	(6,710)	(16,024)	(1,199)	(17,223)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	101	101
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	1,573	1,573
Exercise of share options	410	12,123	–	(2,324)	–	–	–	10,209	–	10,209
Issue of shares by placing	6,049	120,607	–	–	–	–	–	126,656	–	126,656
Shares options lapsed	–	–	–	(32)	–	–	32	–	–	–
At 31 March 2018	45,569	619,545	(7,122)	2,950	(663)	(6,958)	(105,504)	547,817	475	548,292
Upon initial application of HKFRS 9	–	–	–	–	663	–	(1,485)	(822)	–	(822)
At 1 April 2018	45,569	619,545	(7,122)	2,950	–	(6,958)	(106,989)	546,995	475	547,470
Loss for the year	–	–	–	–	–	–	(85,782)	(85,782)	(3,423)	(89,205)
Other comprehensive expense for the year										
Exchange difference on translation of overseas operation	–	–	–	–	–	(12,261)	–	(12,261)	–	(12,261)
Total comprehensive expense for the year	–	–	–	–	–	(12,261)	(85,782)	(98,043)	(3,423)	(101,466)
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	191	191
Exercise of share options	586	9,425	–	(2,950)	–	–	–	7,061	–	7,061
Employee share option benefit	–	–	–	4,723	–	–	–	4,723	–	4,723
At 31 March 2019	46,155	628,970	(7,122)	4,723	–	(19,219)	(192,771)	460,736	(2,757)	457,979

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Operating activities			
Loss before tax		**(88,808)**	(543)
Adjustment for:			
Depreciation	14	**14,831**	16,465
Gain on disposal of property, plant and equipment	7	**(170)**	—
Change in fair value of financial assets at fair value through profit or loss		**(353)**	—
Interest expenses	8	**10,802**	11,512
Impairment of goodwill	15	**20,536**	—
Loss on early redemption of promissory note	41	**7,099**	5,158
Provision for (reversal of) impairment of trade receivables, net	9	**1,632**	(718)
Provision for impairment of loan receivables	21	**96**	—
Bad debts write-off	9	**—**	3,041
Interest income	7	**(143)**	(55)
Adjustment for amortisation of prepaid premium		**—**	107
Change in fair value less costs to sell of biological assets	18	**(7,565)**	(12,339)
Write-off of property, plant and equipment	14	**349**	109
Share-based payment expenses	33	**4,723**	—
Operating cash flows before movements in working capital		**(36,971)**	22,737
Increase in biological assets		**(27,291)**	(32,995)
Decrease in inventories		**34,749**	80,490
Decrease (increase) in trade and other receivables		**149,790**	(161,850)
Decrease (increase) in deposits		**214**	(816)
Increase in loan receivables		**(32,600)**	(619)
Decrease (increase) in bank balances held on behalf of clients		**42,558**	(6,561)
(Decrease) increase in trade and other payables		**(40,541)**	18,462
Cash generated from (used in) operating activities		**89,908**	(81,152)
Interest paid		**(59)**	(362)
Hong Kong Profits Tax paid, net		**(11,630)**	(1,327)
Net cash generated from (used in) operating activities		**78,219**	(82,841)
Investing activities			
Interest received	7	**143**	55
Purchase of property, plant and equipment	14	**(3,342)**	(2,844)
Proceeds from disposal of property, plant and equipment		**170**	—
Net cash outflow from acquisition of a subsidiary		**—**	(1,259)
Net cash used in investing activities		**(3,029)**	(4,048)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Financing activities			
Redemption of promissory note	41	**(108,800)**	(36,700)
New bank borrowings	41	**214,044**	437,135
Repayments of bank borrowings	41	**(178,247)**	(444,121)
Proceeds from issue of shares upon exercise of share options	30	**7,061**	10,209
Net proceeds from placing of shares		**–**	126,656
Inception of obligations under finance leases	41	**–**	255
Repayment of obligations under finance leases	41	**(354)**	(351)
Interest paid	41	**(8,286)**	(4,183)
Capital injection from non-controlling interests		**191**	1,573
Net cash (used in) generated from financing activities		**(74,391)**	90,473
Net increase in cash and cash equivalents		**799**	3,584
Cash and cash equivalents at beginning of the year		**100,440**	128,726
Effect of foreign exchange rate changes, net		**(418)**	(31,870)
Cash and cash equivalents at the end of the year		**100,821**	100,440
Cash and cash equivalents represented by			
Bank balances and cash		**100,821**	100,440

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. General

UKF (Holdings) Limited (the “Company”) is a public limited company incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 20 March 2015. 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 provision of securities brokerage services, margin financing to clients, underwriting and placing services, insurance brokerage, wealth management and investment products consultancy services, trading of fur skin, mink farming in Denmark, fur skin brokerage 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”)

New and amendments to HKASs and HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and 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:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the annual Improvement to HKFRSs 2014 — 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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.

HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirement for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses (“ECL”) for financial assets and (3) general hedge accounting.

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

New and amendments to HKASs and HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated loss and other components of equity, without restating comparative information. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 3.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Original classification under HKAS 39	New classification under HKFRS 9	Original carrying amount as at 31 March 2018 under HKAS 39	Remeasurement under HKFRS 9	New carrying amount as at 1 April 2018 under HKFRS 9
			HK$'000	HK$'000	HK$'000
Financial assets					
Financial assets at fair value through profit or loss ("FVTPL") (Note i(a))	Available-for-sale investment at fair value	FVTPL	11,206	–	11,206
Trades and other receivables (excluding prepayments) (Note ii)	Loans and receivables	At amortised cost	425,957	(822)	425,135
Deposits	Loans and receivables	At amortised cost	2,335	–	2,335
Loan receivables (Note ii)	Loans and receivables	At amortised cost	3,500	–	3,500
Bank balances held on behalf of clients	Loans and receivables	At amortised cost	91,569	–	91,569
Bank balances and cash	Loans and receivables	At amortised cost	100,440	–	100,440
			635,007	(822)	634,185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

New and amendments to HKASs and HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

(i) Classification and measurement

(a) From available-for-sale investment to FVTPL

The Group elected to present as financial asset at FVTPL for the investment previously classified as available-for-sale investment. At the date of initial application of HKFRS 9, HK$11,206,000 was reclassified from available-for-sale investment to financial asset at FVTPL. The fair value loss of HK$663,000 related to the investment previously carried at fair value was reclassified from the investments revaluation reserve to accumulated losses.

(b) The measurement categories for all financial liabilities remain the same

The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9. The Group did not designate or re-designate any financial asset or financial liability at FVTPL at 1 April 2018.

(ii) Impairment under ECL model

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group applies the HKFRS 9 simplified approach to measure ECLs which adopts life-time ECLs for trade receivables arising from cash clients, clearing house, brokers, mink farming and fur skin brokerage. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

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

New and amendments to HKASs and HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

(ii) Impairment under ECL model *(Continued)*

The Group considers trade receivables arising from cash clients, clearing house, brokers, mink farming and fur skin brokerage to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

For trade receivables arising from margin clients and loan receivables, the ECLs are based on HKFRS 9 general approach. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition:

Stage 1: Exposures where there has not been a significant increase in credit risk since its initial recognition and that are not credit-impaired upon origination, the proportion of life-time ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Exposures where there has been a significant increase in credit risk since its initial recognition but are not credit-impaired, a life-time ECL (i.e. reflecting the remaining life-time of financial assets) is recognised.

Stage 3: Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of a certain financial asset has occurred. For exposures that have become credit-impaired, a life-time ECL is recognised.

At each reporting date, the Group assesses whether the credit risk on an exposure has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. For certain portfolio of margin clients and loan financing clients, the Group rebuts the presumption that there have been significant increases in credit risk since initial recognition when financial assets are more than 90 days past due as management considers the probability of default is highly correlated with the collateral value rather than the past due days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

New and amendments to HKASs and HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

(ii) Impairment under ECL model *(Continued)*

Maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

For further details on the Group's accounting policy for accounting for credit losses, see accounting policy for financial instruments in Note 3.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of ECLs model

(a) Impairment of loan receivables and trade receivables arising from cash clients, clearing house, brokers, mink farming and fur skin brokerage

No additional impairment for loan receivables and trade receivables arising from cash clients, clearing house, brokers, mink farming and fur skin brokerage at 1 April 2018 is recognised as the amount additional impairment is immaterial.

(b) Impairment of loan receivables and trade receivables arising from margin clients

	Carrying amount as at 31 March 2018 under HKAS 39	**Remeasurement (ECLs allowance)**	**Carrying amount as at 1 April 2018 under HKFRS 9**
	HK$'000	HK$'000	HK$'000
Trade receivables arising from margin clients	349,962	(822)	349,140

The increase in loss allowances for trade receivables arising from margin clients upon the transition to HKFRS 9 as at 1 April 2018 was HK$822,000. The loss allowances further increased by HK$1,632,000 for trade receivables arising from margin clients during the year.

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

New and amendments to HKASs and HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 supersedes HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

— Operation of securities brokerage, margin financing, underwriting, placing and consultancy services

— Provision of insurance brokerage and wealth management services

— Provision of breeding, farming and sale of livestocks and pelted skin

— Provision of fur skin brokerage and financing services

— Trading of fur skin of foxes and minks

— Provision and arrangement of money lending services in Hong Kong

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in Notes 3 and 5 respectively to the consolidated financial statements.

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Contract liabilities are recognised when the payment is made or the payment is due (whichever is earlier), customers pay consideration, or have a right to an amount of consideration that is unconditional, before the Group transfers goods or service to the customer.

As a result, the adoption of HKFRS 15 did not result in any impact to the financial statements as the timing of revenue recognition on sales of products is not changed.

The adoption of HKFRS 15 has had no material impact on the Group's financial performance and positions for the current year or at 1 April 2018.

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

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 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK (IFRIC) — Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 — 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted
2 Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted
3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, with earlier application permitted
4 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted
5 Effective date to be determined

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

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.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted for as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

New and amendments to HKASs and HKFRSs in issue but not yet effective *(Continued)*

HKFRS 16 Leases *(Continued)*

The right-of-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 by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$12,909,000 as disclosed in Note 32. 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 application of HKFRS 16, the Group will apply the requirements of HKFRS 15 to assess whether sales and leaseback transaction constitutes a sale. For a transfer that does not satisfy the requirements as a sale, the Group will account for the transfer proceeds as financial liabilities within the scope of HKFRS 9. In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application will not be reassessed but the new requirements may impact the Group's future sales and leaseback transactions.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings and non-controlling interests without restating comparative information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. Significant Accounting Policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The 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 financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Fair value

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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For biological assets which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

3. Significant Accounting Policies *(Continued)*

Fair value *(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. Significant Accounting Policies *(Continued)*

Basis of consolidation *(Continued)*

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.

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. 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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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.

3. Significant Accounting Policies *(Continued)*

Business combinations *(Continued)*

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 noncontrolling 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 noncontrolling 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 relevant subsidiary'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.

When the consideration transferred by the Group in a business combination includes 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. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured to fair value 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, with the corresponding gain or loss being recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. Significant Accounting Policies *(Continued)*

Business combinations *(Continued)*

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 or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9/HKAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

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, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit ("CGU") 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 CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU 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 CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Interests in subsidiaries

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

3. Significant Accounting Policies *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2)

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accrued on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the Group applies the practical expedient in HKFRS 15 of not adjusting the transaction price for the effects of any significant financing component.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Contracts with multiple performance obligations

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. Significant Accounting Policies *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2) *(Continued)*

Contract Balance

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Description of the Group's performance obligation of main source of income under the scope of HKFRS 15 are as follows:

Brokerage commission from dealing in securities

Service income from brokerage commission, net of commission income waived for certain customers, is recognised on a trade date basis at a point in time when the relevant transactions are executed in accordance with the agreed terms of the account opening agreements. The corresponding brokerage commission will be settled once the underlying securities transactions completed.

Brokerage commission from insurance and fur skin

Revenue from insurance and fur skin brokerage services should be recognised at a point in time when the service is rendered to the customer, which is consistent with the previous accounting policy. Therefore, the adoption of HKFRS 15 has no impact on the timing of revenue recognition in this regard.

Underwriting, sub-underwriting, placing and sub-placing commission

Service income from underwriting and placing services are recognised at a point in time in accordance with the agreed terms of the relevant underwriting and placing agreements or deal mandate when the relevant significant acts have been completed.

3. Significant Accounting Policies *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2) *(Continued)*

Interest income from clients

Interest income from clients, net of interest income waived for certain customers, is recognised on a time-proportion basis, by reference to the principal amounts outstanding and the effective interest rates applicable.

Consultant fee income from securities

Revenue from provision of consultancy services is recognised over time as customers simultaneously receive and consume benefits when the Company performs the consultancy services.

Consultancy services and referral fee income from insurance brokerage

Revenue from consultancy services and referral fee income are recognised at a point in time when the relevant transactions have been arranged or the relevant services have been rendered.

Interest income

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

Sales of fur

Revenue is recognised when fur is delivered which are taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue recognition (prior to 1 April 2018)

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 is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Service income is recognised when services are provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. Significant Accounting Policies *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2) *(Continued)*

Revenue recognition (prior to 1 April 2018) *(Continued)*

Commission income for securities business, net of commission income waived for certain customers, is recognised as income on a trade-date basis.

Underwriting, sub-underwriting, placing and sub-placing commissions are recognised as income in accordance with the terms of the underlying agreement or deal mandate when the relevant significant act has been completed.

Interest income from clients, net of interest income waived for certain customers, is recognised on a time-proportion basis, by reference to the principal amounts outstanding and the effective interest rates applicable.

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.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. Significant Accounting Policies *(Continued)*

Biological assets

Biological assets comprise minks.

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

Changes in fair value of minks are recognised in profit or loss.

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 improvements	Shorter of 20% or lease term
Plant and machinery	5-20%
Office equipment	20%-33%
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.

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).

3. Significant Accounting Policies *(Continued)*

Intangible assets

Intangible assets represent the rights to trade on the Stock Exchange (the "trading rights"). The trading rights have indefinite useful life and are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment below).

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 CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs 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.

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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value-in-use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) 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 CGU) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. Significant Accounting Policies *(Continued)*

Borrowing costs *(Continued)*

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 at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for 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 in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

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 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.

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 "profit before taxation" as reported in the consolidated statement of profit or loss 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 amounts of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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 services 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 services.

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 to the consolidated financial statements.

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 of the equity-settled share-based payments determined at the grant date 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 option 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-based compensation reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will be transferred to accumulated losses.

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 option 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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. 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 FVTPL) 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 FVTPL are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, 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.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/ initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

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)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) *(Continued)*

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets as at FVTOCI

Subsequent changes in the carrying amounts for financial assets classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these financial assets are recognised in OCI and accumulated under the heading of Investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these financial assets. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these financial assets had been measured at amortised cost. When these financial assets are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the investment revaluation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) *(Continued)*

(iii) Equity instruments designated as at FVTOCI *(Continued)*

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in profit or loss.

(iv) Financial assets as at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

This category contains investments in life insurance policies. The Group accounts for the investments at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2)

The Group recognises loss allowances for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables and other receivables (excluding prepayments), deposits, loan receivables, bank balances held on behalf of clients and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Life-time ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of life-time ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises life-time ECL for trade receivables without significant financing component. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowances equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises life-time ECL. The assessment of whether life-time ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) *(Continued)*

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 365 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) *(Continued)*

(i) Significant increase in credit risk *(Continued)*

For loan commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers default has occurred when a financial asset is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) *(Continued)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) *(Continued)*

(v) Measurement and recognition of ECL *(Continued)*

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

Financial assets are classified into the following specified categories: FVTPL, held-to-maturity financial assets, 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 date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018) *(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 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes 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 to the consolidated financial statements.

AFS financial assets

AFS financial assets are non-derivative 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018) *(Continued)*

AFS financial assets (Continued)

Equity securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method are recognised in profit or loss. Dividend on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established. 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 investment revaluation reserve is reclassified to profit or loss.

AFS equity investment that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

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 receivables and other receivables (excluding prepayments), deposits, loan receivables, bank balances held on behalf of clients and bank balances and cash) 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 (before application of HKFRS 9 on 1 April 2018)

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.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018) *(Continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) (Continued)

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

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments;
- 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, 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 0 to 120 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of 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.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018) *(Continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) (Continued)

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 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.

Derecognition of financial assets

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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated loss.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity 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 the Company are recognised at the proceeds received, net of direct issue costs.

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

A financial 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;
- 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 designated as FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at FVTPL *(Continued)*

Upon application of HKFRS 9, for financial liabilities that are designated as at FVTPL, 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 recognised 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. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to investment revaluation reserve upon derecognition of the financial liability.

Prior to application of HKFRS 9 on 1 April 2018, financial liabilities designated at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value 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.

Financial liabilities at amortised cost

Other financial liabilities (including trade payables and other payables, obligations under finance lease, bank borrowings and corporate bond) are subsequently measured at amortised cost using the effective interest method.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Derecognition/non-substantial modification of financial liabilities

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 derecognized and the consideration paid and payable is recognised in profit or loss.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities (under HKFRS 9 since 1 April 2018)

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Non-substantial modifications of financial liabilities (before application of HKFRS 9 on 1 April 2018)

For non-substantial modifications of financial liabilities that do not result in derecognition, at the point of modification, the carrying amount of the relevant financial liabilities is revised for directly attributable costs and any consideration paid to or received from the counterparty. The effective interest rate is then adjusted to amortise the difference between the revised carrying amount and the expected cash flows over the life of the modified instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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).

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 party is considered to be related to the Group if:

(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.

3. Significant Accounting Policies *(Continued)*

Related parties *(Continued)*

(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); or

8. the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependants of that person or that person's spouse or domestic partner.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

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.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the CGUs 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 CGU 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 2019 was HK$106,814,000, net of impairment of HK$20,536,000 was recognised in the consolidated statement of profit or loss during the year (2018: HK$127,350,000, net of impairment of HK$Nil). Details of the recoverable amount calculation are set out in Note 15.

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.

Estimation on net realisable value of inventories

Inventories are stated at the lower of cost or the deemed cost for agriculture produce harvested from biological assets and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Management of the Group periodically reviews inventories for slow-moving inventories, obsolescence or declines in market value. This review requires them to estimate the net realisable value based upon assumptions about future demand and market conditions. If the estimate of net realisable value is below the cost of inventories, the Group will record a write-down of inventories for the difference between cost and net realisable value, which will result in a corresponding increase in cost of sales. If the net realisable value is less than the carrying amount, write-down on inventories may be required. The carrying amount of inventories is HK$54,192,000 as at 31 March 2019 (2018: HK$45,799,000) Details of the inventories are disclosed in Note 19.

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

Key sources of estimation uncertainty *(Continued)*

Fair value measurements and valuation process held as financial assets at FVTPL

The unlisted equity investments held as FVTPL has been valued based on market-based valuation technique. As at 31 March 2019, the Group classified as FVTPL amounts to HK$11,559,000 in Level 2. Further details are included in Note 17 to the consolidated financial statements.

Fair value 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, ages, growing conditions 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 changes in the fair value of biological assets. Details of the assumptions used are disclosed in Note 18.

Impairment of trade receivables arising from margin clients and loan receivables

Under HKFRS 9

The Group uses provision matrix to calculate ECL for the trade receivables arising from margin clients and loan receivables. The provision rates are based on past-due status of debtors as groupings of various debtors on this basis demonstrate similar loss patterns with shared credit risk characteristics. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables arising from margin clients and loan receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2019, the carrying amount of trade receivables arising from margin clients and loan receivables are HK$244,302,000 and HK$36,004,000, net of allowance for ECL of HK$2,562,000 and HK$96,000 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

Key sources of estimation uncertainty *(Continued)*

Impairment of trade receivables arising from margin clients and loan receivables *(Continued)*

Under HKAS 39

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the assets 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 2018, the carrying amount of trade receivables arising from margin clients and loan receivables are HK$349,962,000 and HK$3,500,000, net of allowance for doubtful debts of HK$108,000 and HK$Nil respectively.

Share-based payments

The Group recognises share-based payments expense on options granted. Share-based payments expense is based on the estimated fair value of each option at its grant date, the estimation of which requires the directors to make assumptions about future volatility of the Group's stock price, future interest rates and the timing with respect to exercise of the options. The effects of a change in one or more of these variables could result in a materially different fair value. The fair value of the share options granted during the year was estimated at HK$4,723,000 (2018: HK$Nil) and the amount associated with share-based payments for the year ended 31 March 2019 is HK$4,723,000 (2018: HK$Nil).

Income taxes

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

As at 31 March 2019, a deferred tax asset of HK$3,992,000 (2018: HK$5,534,000) 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 asset 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 from its operating businesses, net of discount, are as follows:

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers		
Insurance brokerage services income	**40,918**	239
Commission income from		
— securities brokerage	**5,383**	19,642
— underwriting, sub-underwriting, placing and sub-placing	**4,055**	20,497
Trading and brokerage of fur skin	**1,158**	49,563
Mink farming	**35,227**	69,318
Revenue from other sources		
Interest income from margin financing services	**19,098**	40,963
Interest income from money lending services	**7,707**	65
Other loss arising from error trades	**—**	(19)
	113,546	200,268

Note: Revenue includes commission income from securities brokerage, underwriting, sub-underwriting, placing and sub-placing, insurance brokerage services income, trading and brokerage of fur skin and mink farming are recognised at point in time.

6. 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	—	Operation of securities brokerage, margin financing, underwriting, placing and consultancy services
Insurance brokerage	—	Provision of insurance brokerage and wealth management services
Fur	—	Provision of breeding, farming and sale of livestocks and pelted skin, fur skin brokerage and financing services and trading of fur skin of foxes and minks
Other segment	—	Provision and arrangement of money lending services in Hong Kong

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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 2019

	Securities HK$'000	Insurance brokerage HK$'000	Fur HK$'000	Other segment HK$'000	Total HK$'000
Revenue	28,536	40,918	36,385	7,707	113,546
RESULTS					
Segment results	28,536	3,692	(5,285)	7,707	34,650
Other income	1,384	2,003	1,142	–	4,529
Impairment of goodwill	(19,112)	(1,424)	–	–	(20,536)
Change in fair value less costs to sell of biological assets	–	–	7,565	–	7,565
Provision for impairment of trade receivables, net	(1,632)	–	–	–	(1,632)
Provision for impairment of loan receivables	–	–	–	(96)	(96)
Operating expenses	(23,177)	(12,799)	(34,811)	(448)	(71,235)
Loss on early redemption of promissory note					(7,099)
Changes in fair value of financial assets at FVTPL					353
Unallocated corporate income					65
Unallocated corporate expenses					(24,570)
Finance costs					(10,802)
Loss before tax					(88,808)
Income tax expense					(397)
Loss for the year					(89,205)

6. Segment Information *(Continued)*

For the year ended 31 March 2019 *(Continued)*

	Securities HK$'000	Insurance brokerage HK$'000	Fur HK$'000	Other segment HK$'000	Total HK$'000
ASSETS					
Segment assets	419,322	1,949	168,749	36,004	626,024
Unallocated corporate assets					131,229
Total assets					757,253
LIABILITIES					
Segment liabilities	101,025	3,137	60,621	20,000	184,783
Unallocated corporate liabilities					114,491
Total liabilities					299,274

Other information

	Securities HK$'000	Insurance brokerage HK$'000	Fur HK$'000	Other segment HK$'000	Unallocated HK$'000	Total HK$'000
Additions of property, plant and equipment	2,238	901	203	–	–	3,342
Write-off of property, plant and equipment	349	–	–	–	–	349
Depreciation	2,451	693	11,682	–	5	14,831

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

6. Segment Information *(Continued)*

For the year ended 31 March 2018

	Securities HK$'000	Insurance brokerage HK$'000	Fur HK$'000	Other segment HK$'000	Total HK$'000
Revenue	81,083	239	118,881	65	200,268
RESULTS					
Segment results	81,083	239	(3,838)	65	77,549
Other income	2,126	—	34,488	—	36,614
Change in fair value less costs to sell of biological assets	—	—	12,339	—	12,339
Reversal of impairment of trade receivables, net	718	—	—	—	718
Bad debts write-off	—	—	(3,041)	—	(3,041)
Operating expenses	(37,825)	(2,686)	(48,174)	(250)	(88,935)
Loss on early redemption of promissory note					(5,158)
Unallocated corporate expenses					(19,117)
Finance costs					(11,512)
Loss before tax					(543)
Income tax expense					(7,366)
Loss for the year					(7,909)

	Securities HK$'000	Insurance brokerage HK$'000	Fur HK$'000	Other segment HK$'000	Total HK$'000
ASSETS					
Segment assets	597,161	3,166	230,728	3,500	834,555
Unallocated corporate assets					127,871
Total assets					962,426
LIABILITIES					
Segment liabilities	201,903	—	69,160	—	271,063
Unallocated corporate liabilities					143,071
Total liabilities					414,134

6. Segment Information *(Continued)*

For the year ended 31 March 2018 *(Continued)*

Other information

	Securities HK$'000	Insurance brokerage HK$'000	Fur HK$'000	Other segment HK$'000	Unallocated HK$'000	Total HK$'000
Additions of property, plant and equipment	542	1,742	531	—	29	2,844
Write-off of property, plant and equipment	—	—	109	—	—	109
Depreciation	2,581	—	13,884	—	—	16,465

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, financial assets at FVTPL/AFS investment, bank balances and cash, tax recoverable and deferred tax asset are allocated to reportable segments. Goodwill is allocated to segments of securities and insurance 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 market are detailed below:

	2019 HK$'000	2018 HK$'000
The People's Republic of China (the "PRC")	**1,158**	38,971
Europe	**35,227**	79,381
Hong Kong	**77,161**	81,916
	113,546	200,268

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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 analysed by the geographical areas in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and investment property	
	2019 **HK$'000**	2018 HK$'000	**2019** **HK$'000**	2018 HK$'000
Hong Kong	**581,871**	761,970	**3,139**	2,313
Denmark	**175,382**	200,456	**203**	531
	757,253	962,426	**3,342**	2,844

Information about major customers

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

	2019 **HK$'000**	2018 HK$'000
Customer A (Segment: Fur)	**35,227**	79,381
Customer B (Segment: Insurance brokerage) (Note a)	**27,550**	—
	62,777	79,381

Note a: The customer is a product issuer.

No other single customer contributed 10% or more to the Group's revenue for both years ended 31 March 2019 and 2018.

7. Other Income

	2019 HK$'000	2018 HK$'000
Bank interest income	**102**	55
Other interest income	**41**	—
Bonus and commission rebate	**139**	146
Consultant fee income	**1,170**	1,115
Gain on disposal of plant and equipment	**170**	—
Handling fee income	**1,313**	672
Surplus distribution from Kopenhagen Fur	**258**	2,342
Net foreign exchange gain	**—**	31,796
Subscription fee income	**416**	—
Sales of other materials	**362**	—
Others	**623**	488
	4,594	36,614

8. Finance Costs

	2019 HK$'000	2018 HK$'000
Interest on:		
— Bank loans	**7,736**	3,634
— Overdraft	**14**	1
— Finance leases	**2**	10
— Corporate bond	**550**	550
— Auction interest (Note a)	**—**	233
— Promissory note (imputed)	**2,457**	6,955
— Cash clients' accounts	**14**	3
— Margin clients' accounts	**29**	9
— Brokers	**—**	117
	10,802	11,512

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

9. Loss Before Tax

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

	2019 HK$'000	2018 HK$'000
Auditor's remuneration	1,198	827
Bad debts write-off	—	3,041
Provision for (reversal of) impairment of trade receivables, net	1,632	(718)
Provision for impairment of loan receivables	96	—
Cost of inventories recognised as expenses	34,717	115,775
Depreciation	14,831	16,465
Net foreign exchange loss (gain)	44	(31,796)
Staff costs (including directors' remuneration — Note 10)		
— salaries and allowance	39,204	45,387
— retirements benefits scheme contributions	1,783	1,557
Gain on disposal of property, plant and equipment	(170)	—
Write-off of property, plant and equipment	349	109
Operating lease payments	8,216	5,697
Impairment of goodwill	20,536	—
Share-based payment	4,723	—

10. Directors' Remuneration and Senior Management's Emoluments

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the Group's directors in 2019 are as follows:

Emoluments	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Discretionary bonus HK$'000	Total HK$'000
Executive directors					
Mr. Wong Chun Chau	—	576	18	48	642
Ms. Kwok Yin Ning	—	540	18	45	603
Independent non-executive directors					
Ms. Mak Yun Chu	120	—	—	—	120
Mr. Tang Tat Chi	144	—	—	—	144
Mr. Hung Wai Che	120	—	—	—	120
	384	1,116	36	93	1,629

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

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

The emoluments paid or payable to each of the Group's directors in 2018 are as follows:

Emoluments	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Discretionary bonus HK$'000	Total HK$'000
Executive directors					
Mr. Wong Chun Chau	—	576	18	48	642
Ms. Kwok Yin Ning	—	540	18	45	603
Independent non-executive directors					
Ms. Mak Yun Chu	120	—	—	—	120
Mr. Tang Tat Chi	144	—	—	—	144
Mr. Hung Wai Che	120	—	—	—	120
	384	1,116	36	93	1,629

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. No director waived or has agreed to waive any emoluments (2018: no director waived emoluments).

During the year, no share options were granted to directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

10. Directors' Remuneration and Senior Management's Emoluments

(Continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments of the Group, there were no directors of the Company (2018: no directors of the Company whose emoluments are set out in (a) above). The emoluments of the remaining five (2018: five) individuals were as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries and allowances and benefits in kind	**7,636**	11,413
Discretionary bonuses	**5,775**	7,407
Defined contribution and retirement benefit scheme contributions	**90**	90
	13,501	18,910

Their emoluments were within the following bands:

	2019 **Number of employees**	2018 Number of employees
HK$1,500,001 - HK$2,000,000	**1**	—
HK$2,000,001 - HK$2,500,000	**2**	2
HK$2,500,001 - HK$3,000,000	**—**	1
HK$3,000,001 - HK$3,500,000	**1**	—
HK$4,500,001 - HK$5,000,000	**1**	—
HK$5,500,001 - HK$6,000,000	**—**	2
	5	5

During the year, the remaining five (2018: five) 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

	2019 HK$'000	2018 HK$'000
Current tax		
Hong Kong Profits Tax	**397**	7,633
Over provision in prior years		
Hong Kong Profits Tax	**–**	(267)
Total income tax expense for the year	**397**	7,366

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Subsidiary in Denmark is subject to Denmark Corporation Tax at 22% for the reporting year (2018: 22%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

11. Income Tax Expense *(Continued)*

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

	2019 HK$'000	2018 HK$'000
Loss before tax	**(88,808)**	(543)
Tax at Hong Kong Profits Tax at 16.5%	**(14,818)**	(89)
Tax effect of income not taxable for tax purposes	**(103)**	(5,270)
Tax effect of expenses not deductible for tax purposes	**6,515**	2,956
Tax effect on tax losses not recognised	**8,937**	11,388
Under provision in prior years	**–**	(267)
Utilisation of tax losses previously not recognised	**(31)**	(27)
Effect of different tax rates of group entities operating in other jurisdictions	**(103)**	(1,295)
Tax effect on tax reduction	**–**	(30)
Income tax expense for the year	**397**	7,366

12. Dividends

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 March 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

13. 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 2019 of HK$85,782,000 (2018: loss of HK$6,710,000) and the weighted average number of ordinary shares of 4,593,667,615 (2018: 4,330,137,891 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.

14. Property, Plant and Equipment

	Land	Buildings	Leasehold improvement	Plant and machinery	Office equipment	Motor vehicle	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1 April 2017	10,629	82,491	5,559	49,623	2,239	1,323	151,864
Additions	–	–	1,695	531	618	–	2,844
Written-off	–	–	–	–	–	(145)	(145)
Exchange alignment	1,713	13,292	–	8,022	–	91	23,118
At 31 March 2018 and 1 April 2018	12,342	95,783	7,254	58,176	2,857	1,269	177,681
Additions	–	–	1,040	203	2,099	–	3,342
Disposal	–	–	–	–	–	(610)	(610)
Written-off	–	–	(4,213)	–	(1,401)	–	(5,614)
Exchange alignment	(1,110)	(8,612)	–	(5,237)	–	(59)	(15,018)
At 31 March 2019	11,232	87,171	4,081	53,142	3,555	600	159,781
ACCUMULATED DEPRECIATION							
At 1 April 2017	–	7,694	1,432	17,774	710	733	28,343
Charge for the year	–	4,131	2,552	8,987	542	253	16,465
Eliminated upon written-off	–	–	–	–	–	(36)	(36)
Exchange alignment	–	1,438	–	3,296	–	47	4,781
At 31 March 2018 and 1 April 2018	–	13,263	3,984	30,057	1,252	997	49,553
Charge for the year	–	4,049	2,572	7,341	705	164	14,831
Eliminated on disposals	–	–	–	–	–	(610)	(610)
Eliminated upon written-off	–	–	(4,213)	–	(1,052)	–	(5,265)
Exchange alignment	–	(1,301)	–	(2,900)	–	(42)	(4,243)
At 31 March 2019	–	16,011	2,343	34,498	905	509	54,266
CARRYING AMOUNTS							
At 31 March 2019	11,232	71,160	1,738	18,644	2,650	91	105,515
At 31 March 2018	12,342	82,520	3,270	28,119	1,605	272	128,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

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

Buildings	2-5%
Leasehold improvement	Shorter of 20% or lease term
Plant and machinery	5-20%
Office equipment	20%-33%
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.

As at 31 March 2019, plant and machinery with a carrying amount of HK$481,000 (2018: HK$841,000) are assets held under finance leases.

15. Goodwill

	2019 HK$'000	2018 HK$'000
COST		
At beginning of the year	**202,783**	201,359
Arising on acquisition of subsidiaries	**—**	1,424
At end of the year	**202,783**	202,783
ACCUMULATED IMPAIRMENT		
At beginning of the year	**75,433**	75,433
Impairment loss recognised in the year	**20,536**	—
At end of the year	**95,969**	75,433
CARRYING VALUES		
At end of the year	**106,814**	127,350

15. Goodwill *(Continued)*

Impairment testing on Goodwill

Goodwill is assessed for impairment annually irrespective of whether there is any indication of impairment.

Goodwill has been allocated to the following CGUs. At the end of the reporting period, the carrying amount of goodwill represents goodwill arising from the acquisition of:

	2019	2018
	HK$'000	HK$'000
Insurance brokerage segment	**–**	1,424
Securities segment	**106,814**	125,926
At end of the year	**106,814**	127,350

For the purpose of impairment testing, the recoverable amounts of the CGUs are determined by value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the financial budgets approved by management covering a three to five years period, and discount rates.

Insurance brokerage segment

The recoverable amount of this unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial forecast prepared by management covering a 3-year period, and pre-tax discount rate of 21.85% (2018: 25.28%). Cash flows beyond the 3-year period are extrapolated using a long term 3% growth rate. This growth rate is based on historical GDP and inflation rate. Other key assumptions for the value-in-use calculation related to the estimation of financial forecast includes budget sales and operating expenses. Such estimation is based on the past performance of the insurance brokerage business and the management's expectations for market development.

In view of the above, by reviewing the recoverable amount of the CGU the goodwill is fully impaired and the Group recognised an impairment loss of HK$1,424,000 in consolidated statement of profit or loss for the year ended 31 March 2019 (2018: HK$Nil).

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15. Goodwill *(Continued)*

Securities segment

The recoverable amount of this unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial forecast prepared by management covering a 5-year period, and pre-tax discount rate of 14.16% (2018: 17.76%). Cash flows beyond the 5-year period are extrapolated using a long term 3% growth rate. This growth rate is based on historical GDP and inflation rate. Other key assumptions for the value-in-use calculation related to the estimation of financial forecast includes budget sales and operating expenses. Such estimation is based on the past performance of the securities business and the management's expectations for market development.

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$19,112,000 in consolidated statement of profit or loss for the year ended 31 March 2019 (2018: HK$Nil).

16. Intangible Asset

The intangible assets represent trading rights that confer eligibility of the Company to trade on The Stock Exchange of Hong Kong Limited. The trading rights is considered by the management as having indefinite useful lives since it is expected to contribute net cash inflows to the Company indefinitely and therefore, they are required to be tested for impairment annually and it will not be amortised until its useful lives are determined to be finite.

The recoverable amount of the cash generating unit has been determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering one-year period. Management believes that any reasonable possible change in any assumption would not cause the carrying amount of the CGU exceeds the recoverable amount. At the end of reporting period, management determined that there is no impairment of its trading rights based on the value-in-use calculation.

17. Financial Assets at Fair Value Through Profit or Loss/Available-For-Sale Investment

	2019 **HK$'000**	2018 HK$'000
Unlisted investment	**11,559**	11,206

The investment referred to the guaranteed investment issued by financial institution. At the reporting end date, the fair value of the investment is determined with reference to cash value quoted from the statement issued by the financial institution.

These investments were reclassified from AFS financial assets to financial assets at FVTPL at 1 April 2018 upon adoption of HKFRS 9 as detailed in Note 2.

18. Biological Assets

Movements of the biological assets are as follows:

	Mated females HK$'000	**Males for breeding** HK$'000	**Total** HK$'000
At 1 April 2017	32,280	291	32,571
Increase due to raising			
(Feeding cost and others)	19,892	13,050	32,942
Change in fair value less costs to sell	(10,772)	23,111	12,339
Increase due to purchase	—	53	53
Transferred to inventory	(22,582)	(36,440)	(59,022)
Exchange alignment	4,553	36	4,589
At 31 March 2018 and 1 April 2018	23,371	101	23,472
Increase due to raising			
(Feeding cost and others)	15,458	11,313	26,771
Change in fair value less costs to sell	(8,927)	16,492	7,565
Increase due to purchase	—	520	520
Transferred to inventory	(19,945)	(27,662)	(47,607)
Exchange alignment	(1,740)	(27)	(1,767)
At 31 March 2019	8,217	737	8,954

The number of biological assets is as follows:

	2019	2018
Mated females	**13,969**	47,018
Males for breeding	**991**	131
At the end of the year	**14,960**	47,149

Analysed for reporting purposes as follows:

	2019 **HK$'000**	2018 HK$'000
Current assets	**8,954**	23,472
Non-current assets	**—**	—
At the end of the year	**8,954**	23,472

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18. Biological Assets *(Continued)*

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 2019 (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 a 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 skin after pelting.

Valuation of males

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

18. Biological Assets *(Continued)*

Valuation methodology of biological assets *(Continued)*

Prices and costs of the biological assets

Estimation of costs per unit for the years 2019 and 2018 provided by the management are presented below:

	2019 **DKK***	2018 DKK*
Feed	**124**	123
Salary	**71**	70
Other variable cost (Note 1)	**10**	10
Lower value of male breeders (Note 2)	**30**	30
Pelting (Note 3)	**31**	31
Sales fee (Note 3)	**9**	9
Surplus from Kopenhagen Fur (Note 4)	**3%**	3%

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

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

Note 3: 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 Krone

Major inputs

The major inputs for the above models are discount rate, average skin price and birth rate. The pre-tax real discount rate applied for the valuation as at the Valuation Date is 12.03% (2018: 12.68%). The average skin price applied for a mated female and a male are approximately DKK496 (2018: DKK417) and DKK651 (2018: DKK615) respectively. The birth rate applied for mated females is 5 (2018: 5).

Result

Pursuant to the above analysis and valuation method employed by the Valuer, the fair values less costs to sell for a mated female and a male for breeding are approximately DKK498 and DKK630 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

18. Biological Assets *(Continued)*

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 the 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 the ongoing operations of the business enterprise;
- There will be no material changes in the business enterprise's business strategy and its 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, 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
- 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.

18. 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'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 2019.

	+5% DKK'000	Base case DKK'000	+5% HK$'000	Base case HK$'000
Net change in fair value less costs to sell	(31)	7,581	(37)	8,954

	-5% DKK'000	Base case DKK'000	-5% HK$'000	Base case HK$'000
Net change in fair value less costs to sell	42	7,581	50	8,954

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.

	+5% DKK'000	Base case DKK'000	+5% HK$'000	Base case HK$'000
Net change in fair value less costs to sell	(929)	18,086	(1,206)	23,472

	-5% DKK'000	Base case DKK'000	-5% HK$'000	Base case HK$'000
Net change in fair value less costs to sell	1,069	18,086	1,388	23,472

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For the year ended 31 March 2019

18. Biological Assets *(Continued)*

Sensitivity analysis *(Continued)*

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 2019.

	Increase by 1 DKK'000	Base case DKK'000	Increase by 1 HK$'000	Base case HK$'000
Net change in fair value less costs to sell	1,259	7,581	1,487	8,954

	Decrease by 1 DKK'000	Base case DKK'000	Decrease by 1 HK$'000	Base case HK$'000
Net change in fair value less costs to sell	(1,295)	7,581	(1,530)	8,954

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.

	Increase by 1 DKK'000	Base case DKK'000	Increase by 1 HK$'000	Base case HK$'000
Net change in fair value less costs to sell	3,733	18,086	4,845	23,472

	Decrease by 1 DKK'000	Base case DKK'000	Decrease by 1 HK$'000	Base case HK$'000
Net change in fair value less costs to sell	(3,888)	18,086	(5,046)	23,472

18. Biological Assets *(Continued)*

Sensitivity analysis *(Continued)*

Change in the average skin 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 skin price applied for the year ended 31 March 2019.

	+5% DKK'000	Base case DKK'000	+5% HK$'000	Base case HK$'000
Net change in fair value less costs to sell	1,477	7,581	1,744	8,954

	-5% DKK'000	Base case DKK'000	-5% HK$'000	Base case HK$'000
Net change in fair value less costs to sell	(1,466)	7,581	(1,731)	8,954

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 skin price applied for the year ended 31 March 2018.

	Increase/ decrease by 5% DKK'000	Base case DKK'000	Increase/ decrease by 5% HK$'000	Base case HK$'000
Net change in fair value less costs to sell	+/-5,456	18,086	+/-7,080	23,472

19. Inventories

	2019 HK$'000	2018 HK$'000
Trading goods — Pelted skin	**54,192**	45,799

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

19. Inventories *(Continued)*

There is no write down nor write back of inventories for the year ended 31 March 2018 and 2019.

During the year, an amount of HK$47,607,000 (2018: HK$59,022,000) was transferred from biological assets to inventories.

All of the inventories are carried at lower of cost or net realisable value at 31 March 2019 and 2018 respectively.

20. Trade and Other Receivables/Deposits

	2019 **HK$'000**	2018 HK$'000
Trade receivables from:		
Securities business (Note a)		
— Cash clients	**4,639**	12,210
— Margin clients	**246,864**	350,070
— Clearing house	**10,921**	3,056
— Brokers	**719**	10,960
	263,143	376,296
Trading of fur skin business (Note b)	**—**	29,895
Mink farming business (Note b)	**4,310**	7,974
Fur skin brokerage business (Note b)	**164**	209
	267,617	414,374
Less: Provision for trade receivables	**(2,562)**	(108)
	265,055	414,266
Other receivables and deposits:		
Amount due from non-controlling interests	**191**	1,573
Deposit with auction houses and suppliers	**4,355**	7,036
Prepayment	**1,574**	1,669
Rental, utilities and other deposits	**2,252**	1,858
Statutory deposit	**—**	477
VAT recoverable	**2,491**	—
Others	**388**	3,082
	276,306	429,961
Analysis for reporting purpose as:		
Current assets	**274,185**	427,626
Non-current assets — Deposits	**2,121**	2,335
	276,306	429,961

20. Trade and Other Receivables/Deposits *(Continued)*

Notes:

(a) The Group seeks to maintain tight control over its outstanding trade receivables and has procedures and policies to assess its clients' credit quality and defines credit limits for each client. All client acceptances and credit limit are approved by designated approvers according to the clients' credit worthiness.

Save for the credit period allowed by the Company, the normal settlement terms of trade receivables from cash client, a clearing house and brokers arising from the ordinary course of business of securities services are two days after the trade date.

Cash clients

Trade receivables due from cash clients bear interest at interest rate by reference to Hong Kong prime rate plus certain basis points based on management's discretion, normally at Hong Kong prime rate plus 7%. It relates to a wide range of cash clients for whom there was no recent history of default payments or any significant change in credit quality of these clients and the balances are considered fully recoverable by the management.

Margin clients

Trade receivables due from margin clients are repayable on demand. Except for pending trade settlement, the balance of margin clients 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.

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

As at 31 March 2019, the fair values of the pledged securities amounted to approximately HK$680,833,000 (2018: HK$1,051,287,000). Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or securities collaterals are required if the amount of trade receivables outstanding from margin clients exceeds the eligible margin value of securities deposited. If any significant margin call was overdue from the clients, the Company is allowed to dispose of the securities collaterals in settlements of the obligations of margin clients to maintain the agreed level of margins and any other liabilities of the margin clients due to the Company.

Clearing house and brokers

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

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

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For the year ended 31 March 2019

20. Trade and Other Receivables/Deposits *(Continued)*

The aging analysis of the Group's trade receivables from the business of securities, net of allowance for ECL, are as follows:

	2019 **HK$'000**	2018 HK$'000
Neither past due nor impaired	**255,942**	363,978
Past due but not impaired	**4,639**	12,210
	260,581	376,188

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

	2019 **HK$'000**	2018 HK$'000
Past due within one month	**1,453**	4,111
Past due from one month to three months	**3,186**	8,099
	4,639	12,210

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted and subsequent settlement up to the end of the reporting period. In the opinion of the directors of the Company, there is no further credit provision required in excess of the allowance for ECL. The Group does not hold any collateral over these balances.

Details of impairment assessment of securities business for prior and current year are set out in "financial risk management objectives and policies" in Note 37.

20. Trade and Other Receivables/Deposits *(Continued)*

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

	2019	2018
	HK$'000	HK$'000
0 - 60 days	**4,473**	24,935
61 - 90 days	**1**	10,534
91 - 120 days	**–**	2,609
	4,474	38,078

Trade receivables from the business of trading of fur skin, mink farming and fur skin brokerage disclosed above include amounts which are past due for which the Group has not recognised an allowance for ECL 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.

Trade receivables from the business of trading of fur skin, mink farming and fur skin brokerage that were neither past due nor impaired related to a wide range of customers for whom there is no recent history of default.

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21. Loan Receivables

	2019 HK$'000	2018 HK$'000
Loans from money lending business — unsecured	**36,100**	3,500
Less: Provision for impairment	**(96)**	—
	36,004	3,500

The Group offered a credit period of 1 year for the loans to its customers in money lending business with interest rate range from 12% p.a. to 48% p.a. (2018: 12% p.a.). The Group maintains strict control over its outstanding loans to minimise credit risk. Overdue balance is reviewed regularly by management.

The Company has measured the loss allowance of loan receivables by using HKFRS 9 general approach as of 1 April 2018 by assuming all the customers shared a similar credit risk characteristic under the life-time ECLs calculations. Provision matrix is used to measure the ECLs of loan receivables for all categories of customers. The default rates are based on past due days in terms of grouping the customers who have similar loss patterns. The calculation reflects the probability-weighted outcome, time value of money, and reasonable and supportable information that is available related to the past events, current conditions and forecasts of future economic conditions. Generally, loan receivables are written off in full if it is past due more than 90 days and are not subject to any enforcement activities.

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 ECL at 31 March 2019 and 2018:

	2019 HK$'000	2018 HK$'000
0 - 60 days	**20,600**	2,000
61 - 90 days	**—**	1,500
91 - 180 days	**12,000**	—
Over 180 days	**3,404**	—
	36,004	3,500

21. Loan Receivables *(Continued)*

Loan receivables that were neither past due nor impaired related to a wide range of customers for whom there is no recent history of default.

Analysis of the ECL allowance of loan receivables is as follows:

	2019	2018
	HK$'000	HK$'000
Balance at beginning of the year	**–**	5,234
Amounts written off as uncollectible	**–**	(5,234)
Provision for the year	**96**	—
Balance at end of the year	**96**	—

22. Bank Balances Held on Behalf of Clients

The Group maintains segregated trust accounts with licensed banks to hold clients' monies arising from its securities business. The Group has classified clients' monies as bank balances held on behalf of clients under the current assets section of the consolidated statement of financial position and recognised the corresponding accounts payable to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use clients' monies to settle its own obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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 0.9% (2018: 0.001% to 0.9%) per annum with an original maturity of three months or less.

24. Trade and Other Payables

	2019 **HK$'000**	2018 HK$'000
Trade payables from:		
Securities business (Note a)		
— Cash clients	**26,865**	32,350
— Margin clients	**19,523**	63,726
— Clearing house	**16,645**	5,827
— Brokers	**2,993**	—
	66,026	101,903
Trading of fur skin and mink farming business (Note b)	**6,438**	160
Insurance brokerage business (Note c)	**3,137**	—
	75,601	102,063
Other payables:		
Accruals	**5,204**	15,553
Value-added tax payable	**139**	2,327
Other operating expenses payables	**2,176**	4,412
Others	**20**	21
	83,140	124,376

24. Trade and Other Payables *(Continued)*

Notes:

(a) Trade payables to securities 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 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% (2018: 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 skin 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 skin and mink farming business are as follows:

	2019 **HK$'000**	2018 HK$'000
0 - 60 days	**246**	160
61 - 90 days	**4,264**	—
91 - 120 days	**1,928**	—
Over 120 days	**—**	—
	6,438	160

(c) The Group normally settles the trade payables from insurance brokerage business within 15 days of the credit term.

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

	2019 **HK$'000**	2018 HK$'000
0 - 60 days	**3,137**	—
61 - 90 days	**—**	—
91 - 120 days	**—**	—
Over 120 days	**—**	—
	3,137	—

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25. Bank Borrowings

	2019 HK$'000	2018 HK$'000
Term loans	**112,940**	69,000
Revolving loans	**35,000**	100,000
Bank overdraft	**51,242**	—
	199,182	169,000

The term loans were charged at interest rates ranging from 4.25% to 4.75% (2018: 3.25% to 3.75%) per annum. Details of assets pledged to secure the bank borrowings are disclosed in Note 31.

Revolving loans are repayable within seven days from the end of the reporting period and are interest bearing at Hong Kong Inter-bank Offered Rate ("HIBOR") plus 1.7% p.a. (2018: HIBOR plus 1.7% p.a.). As at the year end, revolving loans are secured by two properties (2018: two properties) owned by a shareholder of the Company.

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

	2019 HK$'000	2018 HK$'000
On demand or within one year	**197,493**	166,070
More than one year, but not exceeding two years (Note)	**1,306**	1,275
More than two years, but not exceeding five years (Note)	**383**	1,655
	199,182	169,000

Note: These loans that are not repayable within one year from the end of the reporting period but as these 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 loan containing the repayment on demand clause as current liabilities, all the loans were classified by the Group as current liabilities.

26. Obligations Under Finance Lease

The Group leases plant and machinery under finance leases. Lease terms range from 32 to 64 months. Interest rates underlying all obligations under finance leases ranges from Nil to 3.2% (2018: Nil to 3.2%) 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 assets at the end of the lease.

	2019 HK$'000	2018 HK$'000
Analysed for reporting purpose as:		
Current liabilities	**182**	375
Non-current liabilities	**78**	290
	260	665

	Minimum lease payments		**Present value of minimum lease payments**	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Amounts payable under finance leases:				
Within one year	**185**	384	**182**	375
In more than one year but not more than two years	**79**	296	**78**	290
In more than two years but not more than five years	**—**	—	**—**	—
In more than five years	**—**	—	**—**	—
	264	680	**260**	665
Less: Future finance charges	**(4)**	(15)	**—**	—
Present value of lease obligations	**260**	665	**260**	665
Less: Amounts due for settlement within 12 months (shown under current liabilities)			**(182)**	(375)
Amounts due for settlement after 12 months			**78**	290

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

Finance lease obligations are denominated in Danish Krone.

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27. Corporate Bond

The Group issued a corporate bond with the principal amount of HK$10,000,000 carrying interest at the rate of 5.5% per annum payable annually for a term of 7 years, which will be due on 18 November 2019.

The fair value of the corporate bond was HK$10,000,000 as at the issue date.

28. Promissory Note

	2019 **HK$'000**	2018 HK$'000
At beginning of the year	**99,244**	123,831
Imputed interest	**2,457**	6,955
Redemption	**(101,701)**	(31,542)
	–	99,244

The promissory note was issued by the Company in connection with the acquisition of the entire issued share capital of Great Roc Capital Securities Limited ("Great Roc") on 20 January 2017. The promissory note represented part of the consideration for the acquisition.

The promissory note is non-interest bearing and payable on maturity in July 2019. The fair value of the promissory note in principal amount of HK$145,500,000 was HK$122,196,000 as at the issue date (i.e. 20 January 2017), based on valuation. The effective interest rate of the promissory note is determined to be 7.18% per annum. The fair value of the promissory note, which are within Level 3 of the fair value hierarchy, is determined by using the discounted cash flow method, with the following key assumptions:

Time to maturity	2.52 years
Discount rate	7.18%

The promissory note was fully redeemed on 27 July 2018. Loss on early redemption of promissory note amounting to HK$7,099,000 was charged to profit or loss for the year ended 31 March 2019.

29. 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:

	Value adjustment of biological assets and inventories HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2017	6,435	2,033	(8,468)	—
Exchange alignment	831	329	(1,160)	—
Charge to profit or loss	(4,280)	186	4,094	—
At 31 March 2018 and 1 April 2018	2,986	2,548	(5,534)	—
Exchange alignment	(269)	(200)	469	—
Charge to profit or loss	24	(1,097)	1,073	—
At 31 March 2019	2,741	1,251	(3,992)	—

At the end of reporting period, the Group has unused tax losses of approximately HK$205,870,000 (2018: HK$182,262,000) 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$18,122,000 (2018: HK$25,158,000) of such losses. No deferred tax has been recognised in respect of the remaining approximately HK$187,748,000 (2018: HK$157,104,000) 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:

	2019 HK$'000	2018 HK$'000
Deferred tax asset	**–**	—
Deferred tax liability	**–**	—
	–	—

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30. Share Capital

	Note	Number of ordinary shares of HK$0.01 each	HK$'000
Authorised:			
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019		10,000,000,000	100,000
Issued and fully paid:			
At 1 April 2017		3,911,034,015	39,110
Exercise of share options		41,000,000	410
Issue of shares by placing		604,889,000	6,049
At 31 March 2018 and 1 April 2018		4,556,923,015	45,569
Exercise of share options	(a)	58,566,720	586
At 31 March 2019		4,615,489,735	46,155

During the year ended 31 March 2019, the movements in the Company's share capital are as follows:

(a) During the year ended 31 March 2019, a total of 58,566,720 new shares were issued upon exercise of 58,566,720 share options under the share option scheme adopted by the Company on 1 August 2012 at an aggregate consideration of HK$7,061,000, of which HK$586,000 was credited to share capital and the remaining balance of HK$6,475,000 was credited to the share premium account. In addition, an amount attributable to the related share options of HK$2,950,000 has been transferred from share option reserve to the share premium account.

31. Pledge of Assets

Other than the assets held under finance leases disclosed in Note 14, as at 31 March 2019 and 2018, the Group did not pledge any land and building to secure debts of the Group. The Group pledged other plant and equipment, trade receivables, biological assets and inventories, of approximately DKK80,418,000 (approximately HK$94,982,000), and financial asset at FVTPL with carrying amount of approximately HK$11,559,000 to secure banking facilities granted to the Group (31 March 2018: plant and equipment, biological assets and inventories of approximately DKK94,328,000 (approximately HK$122,419,000), and AFS investment with carrying amount of approximately HK$11,206,000).

32. Operating Lease Commitment

The Group as lessee

	2019 HK$'000	2018 HK$'000
Minimum lease payments paid under operating leases during the year		
Rented premises	**8,190**	5,671
Rented equipment	**26**	26
	8,216	5,697

At 31 March 2019 and 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**10,034**	6,422
In the second to fifth years inclusive	**2,875**	3,906
	12,909	10,328

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

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 2019 was Nil (2018: 58,566,720) which represented Nil (2018: 1.3%) of the issued share capital of the Company as at 31 March 2019.

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For the year ended 31 March 2019

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

Pre-IPO Share Option Scheme *(Continued)*

For the year ended 31 March 2019, 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 (Note)	At 1.4.2018	Granted during the year	Exercised during the year	Lapsed during the year	At 31.3.2019
			HK$	HK$					
Directors	A	1 August 2012	0.208	0.120	57,507,840	–	(57,507,840)	–	–
Employees	B	1 August 2012	0.260	0.151	1,058,880	–	(1,058,880)	–	–
Total					58,566,720	–	(58,566,720)	–	–

Note: Since the date of grant, there were corporate transactions which triggered an adjustment on the exercise price of options granted. The adjusted exercise price referred to the adjustment resulted from the latest corporate transaction of bonus issue by the Company on 31 July 2015.

For the year ended 31 March 2018, 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 (Note)	At 1.4.2017	Granted during the year	Exercised during the year	Lapsed during the year	At 31.3.2018
			HK$	HK$					
Directors	A	1 August 2012	0.208	0.120	57,507,840	–	–	–	57,507,840
Employees	B	1 August 2012	0.260	0.151	1,058,880	–	–	–	1,058,880
Total					58,566,720	–	–	–	58,566,720

Note: Since the date of grant, there were corporate transactions which triggered an adjustment on the exercise price of options granted. The adjusted exercise price referred to the adjustment resulted from the latest corporate transaction of bonus issue by the Company on 31 July 2015.

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

Pre-IPO Share Option Scheme *(Continued)*

Details of specific categories of options are as follows:

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

Share Option Scheme

The Share Option Scheme adopted by the Company 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 at 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.

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

Share Option Scheme *(Continued)*

For the year ended 31 March 2019, details of the share options granted under the Share Option Scheme are as follows:

	Date of grant	Exercise price HK$	At 1.4.2018	Granted during the year	Exercised during the year	Lapsed during the year	At 31.3.2019
Employee	20 September 2018 - 19 September 2020	0.253	–	100,800,000	–	–	100,800,000
Total			–	100,800,000	–	–	100,800,000

Share Options granted on 20 September 2018

The fair value of the options granted on 20 September 2018 was determined by an independent third party, Graval Consulting 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 Note a	Risk free rate Note b	Volatility Note c	Forfeit rate Note d	Dividend yield Note e
Nil	HK$0.04685	1.983	2.1%	37.36%	Nil	Nil

Note:

(a) exercise multiple trigger early exercise of options and is based on historical early exercise period.

(b) risk free rate represents the yields to maturity of Hong Kong Exchange Fund Bills and Notes Yield.

(c) volatility is referred to the historical volatility of comparable companies.

(d) forfeit rate is the time to maturity of the financial instrument.

(e) dividend yield was based on the dividend track record and management's forecast.

The fair value of the options granted amounted to HK4,723,000 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 2018 details of the share options granted under the Share Option Scheme are as follows:

	Date of grant	Exercise price HK$	At 1.4.2017	Granted during the year	Exercised during the year	Lapsed during the year	At 31.3.2018
Directors	18 August 2015 — 17 August 2017	0.249	41,000,000	–	(41,000,000)	–	–
Employee	18 August 2015 — 17 August 2017	0.249	500,000	–	–	(500,000)	–
Total			41,500,000	–	(41,000,000)	(500,000)	–

Note: Since the date of grant, there were corporate transactions which triggered an adjustment on the exercise price of options granted. The adjusted exercise price referred to the adjustment resulted from the latest corporate transaction of bonus issue by the Company on 31 July 2015.

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.

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35. Related Party Transactions

(a) Transactions with related parties

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	**2019 HK$'000**	2018 HK$'000
Universal Apparel Limited	Rental of premise	**576**	576
Top Value Limited*	Rental of premise	**3,342**	4,010
Kingkey Enterprise Hong Kong Limited and KK Culture Holdings Limited*	Rental of premise and utilities	**1,485**	—
		5,403	4,586

* The transaction also constituted a continuing connected transaction under the Listing Rules.

(b) Compensation of key management personnel

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

	2019 HK$'000	2018 HK$'000
Short-term benefits	**9,080**	5,172
Post-employment benefits	**72**	57
	9,152	5,229

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 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 prior year.

The capital structure of the Group consists of net debts, which includes bank borrowings, obligations under finance leases, corporate bond, and promissory note disclosed in Notes 25, 26, 27 and 28 respectively, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital, share premium and reserves.

36. Capital Risk Management *(Continued)*

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 shares as well as issuance of new debts or redemption of existing debts. No changes were made in the objectives, policies or processes as compared to those in prior years.

The Group is not subject to any externally imposed capital requirements except for certain subsidiaries which are regulated entities under the SFO and subject to the relevant minimum paid-up share capital and minimum liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). Management closely monitors, on a daily basis, the capital level of those entities to ensure compliance with the minimum capital requirements under the SF(FR)R.

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

	2019 **HK$'000**	2018 HK$'000
Total borrowings:		
Bank borrowings	**199,182**	169,000
Obligations under finance lease	**260**	665
Corporate bond	**10,000**	10,000
Promissory note	**–**	99,244
	209,442	278,909
Total equity	**457,979**	548,292
Gearing ratio	**45.73%**	50.87%

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37. Financial Risk Management Objectives And Policies

Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial asset at FVTPL	**11,559**	—
AFS investment		
— At fair value	**—**	11,206
At amortised cost/loan and receivables		
— Deposits	**2,121**	2,335
— Trade and other receivables (excluding prepayment)	**272,611**	425,957
— Loan receivables	**36,004**	3,500
— Bank balance held on behalf of clients	**49,011**	91,569
— Bank balances and cash	**100,821**	100,440
	472,127	635,007
Financial liabilities		
— Trade and other payables	**83,140**	124,376
— Bank borrowings	**199,182**	169,000
— Obligations under finance leases	**260**	665
— Corporate bond	**10,000**	10,000
— Promissory note	**—**	99,244
	292,582	403,285

Financial risk management objectives and policies

The Group's major financial instruments include items disclosed above under section "Categories of financial instruments". Details of these financial instruments are disclosed in the 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.

37. Financial Risk Management Objectives And Policies *(Continued)*

Market risk

(a) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, loan receivables, trade receivables arising from cash and margin clients, trade payables to cash and margin clients, and bank borrowings at 31 March 2019 (see Notes 20, 21, 22, 23, 24 and 25 for details). The Group's cash flow interest rate risk is mainly related to the fluctuation of prevailing rate quoted by the banks arising from the Group's interest bearing financial instruments. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate corporate bond (details disclosed in Note 27). Management will monitor its exposure periodically.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bearing financial instruments. 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 pre-tax result for the year ended 31 March 2019 would increase/decrease by HK$946,000 (2018: increase/decrease by HK$961,000).

(b) Foreign currency risk

The Group carries out its trading of fur skin business, fur skin brokerage business and mink farming business in Hong Kong and worldwide and most of the transactions are denominated in US$ and DKK, while the Group's securities business is mainly in Hong Kong and all the transactions are entered in HK$ primarily. Hence, mainly the sales and purchases transactions in relation to the business of trading of fur skin, fur skin brokerage and mink farming expose the Group to foreign currency risk.

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure to foreign currency risk. The management of the Group may implement foreign currency forward contracts to hedge the exposure to foreign currency risk. As the 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.

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	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Danish Krone	**114,874**	229,732	**—**	—

Sensitivity analysis

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% (2018: 5%) change in the exchange rate of HK$ against DKK, with all other variables held constant, to the Group's profit or loss (before tax).

	Impact of DKK 2019 HK$'000	Impact of DKK 2018 HK$'000
Increase/decrease in profit or loss for the year (before tax)	**5,744**	11,487

(c) Other price risk

The Group is exposed to risk arising from the fluctuations in price of mink skin through its investment in biological assets in mink farming business. Biological assets are measured at the fair value less cost to sell, and this measurement involves the use of current market price of mink skin. The Group manages this exposure by implementing a tight control over cost of breeding. Sensitivity analysis of 5% change in price of mink skin on biological assets is disclosed in Note 18.

(d) Inherent risks relating to biological assets

Biological assets are exposed to risks arising from the infectious diseases. The Group has strong policies and procedures in place for hygiene control. The Group's regional spread of farms allows high degree of mitigation against adverse conditions such as disease outbreaks.

37. Financial Risk Management Objectives And Policies *(Continued)*

Credit risk

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 arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk on bank balances is limited because the counterparties are banks with high credit rating assigned by international credit rating agencies.

Fur skin business, fur skin brokerage business, and mink farming business

In order to minimise the credit risk of trade receivables from trading of fur skin business, fur skin brokerage business, and mink farming business (collectively refer to the "fur business"), 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.

The Group has concentration of credit risk in trade receivables from clients in the fur business as 96% (31 March 2018: 30%) and 98% (31 March 2018: 79%) of trade receivables were due from the Group's largest customer and the three largest customers respectively within the fur business.

Securities business

The credit risk from securities business is primarily attributable to trade receivables due from clients and clearing houses without taking account of the value of any collateral obtained. Management of the regulated entity has a credit policy and a team to monitor the credit risk on an on-going basis.

In order to manage the credit risk on trade receivables due from clients, individual credit evaluation is performed on all clients including cash and margin clients. Trade receivables from cash clients are generally settled within two trading days after trade date. In order to minimise the credit risk, the regulated entity has put in place monitoring procedures to ensure that overdue debts are recovered. Accordingly, the credit risk arising from the trade receivables due from cash clients is considered minimal.

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37. Financial Risk Management Objectives And Policies *(Continued)*

Credit risk *(Continued)*

Securities business *(Continued)*

For margin clients, the regulated entity normally obtains liquid securities and/or cash deposits as collateral based on the margin requirements. The margin requirement is closely monitored on a daily basis by the designated team. Market conditions and adequacy of securities collateral and margin deposits of each margin account are monitored by management of the regulated entity on a daily basis. Margin calls and forced liquidation are made where necessary. In addition, the regulated entity reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In this regard, management of the Group considers that the credit risk arising from securities business is significantly reduced.

In respect of trade receivables from a clearing house, credit risk is considered low as the regulated entity normally enters into transactions with a clearing house ("CCASS") which is registered with a regulatory body.

ECL allowance for trade receivable arising from margin clients

The Company applies to elect the general approach to provide for expected credit loss prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for the trade receivable arising from margin clients. The expected credit losses below also incorporated forward-looking information and grouping of various categories of customers with similar loss patterns (i.e. customer type and service type) in calculation. The calculation also reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of reporting period.

Analysis of the gross carrying amount of trade receivable from margin clients is as follows:

	Stage 1 HK$'000	**Stage 2** HK$'000	**Stage 3** HK$'000	**Total** HK$'000
As at 1 April 2018	338,402	10,097	1,571	350,070
Transfer to stage 1	2,606	(2,606)	—	—
Transfer to stage 2	(10,970)	10,970	—	—
Transfer to stage 3	—	(3,134)	3,134	—
Addition	74,519	41,033	8	115,560
Repayments	(216,352)	(532)	(1,882)	(218,766)
As at 31 March 2019	188,205	55,828	2,831	246,864

37. Financial Risk Management Objectives And Policies *(Continued)*

Credit risk *(Continued)*

Securities business *(Continued)*

ECLs allowance for trade receivable arising from margin clients (Continued)

Analysis of the ECLs allowance for trade receivable arising from margin clients is as follows:

	Stage 1 HK$'000	**Stage 2** HK$'000	**Stage 3** HK$'000	**Total** HK$'000
Balance as at 1 April 2017	—	—	826	826
Write back of bad and doubtful debts	—	—	(718)	(718)
Balance as at 31 March 2018				
As originally presented	—	—	108	108
Impact of initial adoption of HKFRS 9	508	182	132	822
Balance as at 1 April 2018	508	182	240	930
Transfer to stage 1	47	(47)	—	—
Transfer to stage 2	(16)	16	—	—
Transfer to stage 3	—	(56)	56	—
Recoveries	(196)	—	—	(196)
Net remeasurement of ECL without transfer of stage	(33)	15	45	27
Net remeasurement of ECL arising from transfer of stage	(46)	730	767	1,451
New lending	18	332	—	350
Balance as at 31 March 2019	282	1,172	1,108	2,562

ECL allowance for trade receivable arising from cash clients, clearing house and brokers

For the trade receivables arising form cash clients, clearing house and brokers, these are limited exposure where there has not been a significant increase in credit risk since its initial recognition and not credit-impaired at the end of reporting period. Therefore, the loss allowances are limited to 12-months ECLs and is immaterial to be recognised.

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37. Financial Risk Management Objectives And Policies *(Continued)*

Credit risk *(Continued)*

Securities business *(Continued)*

ECL allowance for trade receivable arising from cash clients, clearing house and brokers (Continued)

As at 31 March 2019, other than the concentration of credit risk on trade receivables from a clearing house and bank balances (including segregated account and house account), the Company has a concentration risk on trade receivables from clients, with 24% (2018: 17%) and 43% (2018: 36%) of the total trade receivables due from the Company's largest customer and three largest customers, respectively.

Money lending

In respect of loan receivables from clients, the objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem. It is the Group's policy that all clients who wish to obtain loans from the Group are subject to management review. Receivables balances are monitored on an ongoing basis, management makes periodic collective assessment as well as individual assessment on the recoverability of loans, loans receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and any other qualitative factors and ensure that follow-up action is taken to recover overdue debts. In this regard, management considers that the Group's credit risk is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each client rather than the industry or country in which the clients operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual clients. As at 31 March 2019, 56% (2018: 100%) and 85% (2018: 100%) of the total loan receivables due from clients were from the Group's largest client and the three largest clients.

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 term.

The Group relies on bank borrowings as a significant source of liquidity. At 31 March 2019, the Group has banking facilities with a maximum limit of HK$265 million (2018: HK$189 million). Details of bank borrowings 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 based on the agreed repayment date. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

	At 31 March 2019				
	On demand HK$'000	**Within 1 year HK$'000**	**2-5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Financial liabilities					
Trade and other payables	**83,140**	**—**	**—**	**—**	**83,140**
Bank borrowings					
— due within one year	**199,382**	**—**	**—**	**—**	**199,382**
Obligations under finance leases	**—**	**79**	**185**	**—**	**264**
Corporate bond	**—**	**10,000**	**—**	**—**	**10,000**
Promissory note	**—**	**—**	**—**	**—**	**—**
	282,522	**10,079**	**185**	**—**	**292,786**

	At 31 March 2018				
	On demand HK$'000	Within 1 year HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Financial liabilities					
Trade and other payables	124,376	—	—	—	124,376
Bank borrowings					
— due within one year	169,270	—	—	—	169,270
Obligations under finance leases	—	384	296	—	680
Corporate bond	—	—	10,000	—	10,000
Promissory note	—	—	108,800	—	108,800
	293,646	384	119,096	—	413,126

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For the year ended 31 March 2019

37. Financial Risk Management Objectives And Policies *(Continued)*

Fair value

Some of the Group's financial assets 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 are determined (in particular, the valuation techniques and inputs used).

Financial asset	Fair value as at 31 March 2019 HK$'000	Fair value as at 31 March 2018 HK$'000	Fair value hierarchy	Valuation technique(s) and key input
Financial asset at FVTPL/ AFS investment	11,559	11,206	Level 2	Quoted value from financial institution

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

38. Offsetting Financial Assets and Financial Liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

The Group currently has a legally enforceable right to set off the trade receivables from clearing houses and margin clients and the trade payables to them respectively, and it intends to settle on a net basis.

For the trade receivable or payable to cash clients, they do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default. If addition, the Group does not intend to settle the balances on a net basis.

38. Offsetting Financial Assets and Financial Liabilities *(Continued)*

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

The gross amounts of the recognised financial assets and financial liabilities and their net amounts as presented in the Group's consolidated statement of financial position are as follows:

	Gross amounts of recognised financial assets/ liabilities	Gross amounts of recognised financial liabilities/ assets set off in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Financial collateral pledged	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2019						
Financial assets						
Trade receivables						
– Clearing house (Note 20)	12,192	1,271	10,921	–	–	10,921
– Brokers (Note 20)	719	–	719	–	–	719
– Cash clients (Note 20)	5,489	850	4,639	4,553	–	86
– Margin clients (Note 20)	261,298	14,434	246,864	–	237,312	9,552
	279,698	16,555	263,143	4,553	237,312	21,278
Financial liabilities						
Trade payables						
– Clearing house (Note 24)	17,916	1,271	16,645	–	–	16,645
– Brokers (Note 24)	2,993	–	2,993	–	–	2,993
– Cash clients (Note 24)	27,715	850	26,865	–	–	26,865
– Margin clients (Note 24)	33,957	14,434	19,523	–	–	19,523
	82,581	16,555	66,026	–	–	66,026

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For the year ended 31 March 2019

38. Offsetting Financial Assets and Financial Liabilities *(Continued)*

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements *(Continued)*

	Gross amounts of recognised financial assets/ liabilities HK$'000	Gross amounts of recognised financial liabilities/ assets set off in the consolidated statement of financial position HK$'000	Net amounts presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial collateral pledged HK$'000	Net amount HK$'000
As at 31 March 2018						
Financial assets						
Trade receivables						
– Clearing house (Note 20)	22,041	18,985	3,056	–	–	3,056
– Brokers (Note 20)	10,960	–	10,960	–	–	10,960
– Cash clients (Note 20)	26,454	14,244	12,210	12,120	–	90
– Margin clients (Note 20)	361,114	11,044	350,070	–	346,113	3,957
	420,569	44,273	376,296	12,120	346,113	18,063
Financial liabilities						
Trade payables						
– Clearing house (Note 24)	24,812	18,985	5,827	–	–	5,827
– Cash clients (Note 24)	46,593	14,243	32,350	–	–	32,350
– Margin clients (Note 24)	74,771	11,045	63,726	–	–	63,726
	146,176	44,273	101,903	–	–	101,903

39. Particulars Of Principal Subsidiaries

(a) General information of 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	Indirect	Principal activities and place of operation
Loyal Speed Limited	British Virgin Islands	US$100	–	100%	Provision of fur skin 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%	–	Money lending/Hong Kong
U.K. Fur Limited	British Virgin Islands	US$10,000	–	100%	Trading of fur skin/ Hong Kong
UKF Management Limited	Hong Kong	HK$10,000	100%	–	Operating expense/ Hong Kong
Pearl Bay Investments Limited	British Virgin Islands	US$1	100%	–	Investment holdings/ Hong Kong
Great Roc Capital Securities Limited	Hong Kong	HK$200,000,000	–	100%	Provision of securities service/Hong Kong
Apex Height Investments Limited	British Virgin Islands	US$1	–	100%	Investment holdings/ Hong Kong

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For the year ended 31 March 2019

39. Particulars Of Principal Subsidiaries *(Continued)*

(a) General information of subsidiaries *(Continued)*

Name of subsidiaries	Place of incorporation	Paid up issued/ registered ordinary share capital HK$/US$/DKK	Percentage of equity attributable to the Company Direct	Indirect	Principal activities and place of operation
Great Roc Asset Management Limited	Hong Kong	HK$4,000,000	–	100%	Provision of asset management services/ Hong Kong
Great Roc Corporate Finance Limited	Hong Kong	HK$1	–	100%	Inactive/Hong Kong
Noble Zenith International Limited	British Virgin Islands	US$1	100%	–	Investment holdings/ Hong Kong
Affluent Range Limited	British Virgin Islands	US$50,000	–	51%	Inactive/Hong Kong
King Privilege Wealth Management Limited	Hong Kong	HK$3,600,000	–	51%	Provision of wealth management services/ Hong Kong
King Privilege Family Office Limited	Hong Kong	HK$10,000	–	51%	Provision of wealth management services/ Hong Kong
King Privilege Management Services Limited	Hong Kong	HK$1	–	51%	Inactive/Hong Kong

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

39. Particulars Of Principal Subsidiaries *(Continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below show details of non-wholly owned subsidiary of the Group that has material non-controlling interests at the end of the current year:

Name of subsidiaries	Place of incorporation/ operations	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
King Privilege Wealth Management Limited	Hong Kong	**49%**	49%	**(67)**	(1,199)	**408**	475

Summarised financial information in respect of Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

King Privilege Wealth Management Limited

	2019 HK$'000	2018 HK$'000
Current assets	**7,180**	3,079
Non-current assets	**1,941**	1,742
Current liabilities	**8,287**	3,850
Equity attributable to the owners of the Company	**425**	496
Non-controlling interests	**409**	475

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For the year ended 31 March 2019

39. Particulars Of Principal Subsidiaries *(Continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

King Privilege Wealth Management Limited *(Continued)*

	1/4/2018-31/3/2019 HK$'000	1/2/2018-31/3/2018 HK$'000
Revenue	**40,918**	239
Expenses	**(41,054)**	(2,686)
Loss for the year	**(136)**	(2,447)
Loss attributable to the owners of the Company	**(69)**	(1,248)
Loss attributable to the non-controlling interests	**(67)**	(1,199)
Loss for the year	**(136)**	(2,447)
Net cash inflow (outflow) from operating activities	**2,880**	(1,699)
Net cash outflow from investing activities	**(2,012)**	(1,742)
Net cash inflow from financing activities	**1,884**	3,210
Net cash inflow (outflow)	**2,752**	(231)

40. Statement of Financial Position and Reserves of the Company

	2019 HK$'000	2018 HK$'000
Non-current assets		
Plant and equipment	**22**	28
Investment in subsidiaries	**8,210**	8,200
	8,232	8,228
Current assets		
Other receivables and prepayment	**403**	349
Amounts due from subsidiaries	**347,419**	438,443
Loan to a subsidiary	**114,815**	133,871
Tax recoverable	**—**	—
Bank balances and cash	**4,668**	22,489
	467,305	595,152
Current liabilities		
Accruals	**1,680**	5,735
Amounts due to a subsidiary	**29,718**	—
Corporate bond — within one year	**10,000**	—
	41,398	5,735
Net current assets	**425,907**	589,417
Total assets less current liabilities	**434,139**	597,645
Non-current liabilities		
Corporate bond	**—**	10,000
Promissory note	**—**	99,244
	—	109,244
Net assets	**435,139**	488,401
Capital and reserve		
Share capital	**46,155**	45,569
Reserves	**387,984**	442,832
	434,139	488,401

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 27 June 2019 and are signed on its behalf by:

WONG CHUN CHAU
DIRECTOR

KWOK YIN NING
DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

40. Statement of Financial Position and Reserves of the Company *(Continued)*

Movement in the Company's reserves

	Share premium HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2017	486,815	5,306	(136,052)	356,069
Loss and total other comprehensive expense for the year	—	—	(43,643)	(43,643)
Exercise of share options	12,123	(2,324)	—	9,799
Issue of shares by placing	120,607	—	—	120,607
Share options lapsed	—	(32)	32	—
At 31 March 2018 and 1 April 2018	619,545	2,950	(179,663)	442,832
Loss and total other comprehensive expense for the year	—	—	(66,046)	(66,046)
Exercise of share options	9,425	(2,950)	—	6,475
Employee share option	—	4,723	—	4,723
At 31 March 2019	628,970	4,723	(245,709)	387,984

41. Reconciliation of Liabilities Arising From Financing Activities

	Interest payables from financing activities	Bank borrowings	Obligations under finance leases	Promissory note	Corporate Bond	Total
		(Note 25)	(Note 26)	(Note 28)	(Note 27)	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2017	838	168,156	659	123,831	10,000	303,484
Changes from financing cash flows:						
Raise	—	437,135	255	—	—	437,390
Repayment	(4,183)	(444,121)	(351)	(36,700)	—	(485,355)
Other changes:						
Interest expenses	4,195	—	—	—	—	4,195
Imputed interest	—	—	—	6,955	—	6,955
Loss on early redemption	—	—	—	5,158	—	5,158
Exchange differences	10	7,830	102	—	—	7,942
At 31 March 2018 1 April 2018	860	169,000	665	99,244	10,000	279,769
Changes from financing cash flows:						
Raise	—	214,044	—	—	—	214,044
Repayment	(8,286)	(178,247)	(354)	(108,800)	—	(295,687)
Other changes:						
Interest expenses	8,286	—	—	—	—	8,286
Imputed interest	—	—	—	2,457	—	2,457
Loss on early redemption	—	—	—	7,099	—	7,099
Exchange differences	(7)	(5,615)	(51)	—	—	(5,673)
At 31 March 2019	853	199,182	260	—	10,000	210,295

42. Reclassification

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

43. Event After Reporting Period

From 31 March 2019 to the reporting date, the Group had no material event after the reporting period.

FINANCIAL SUMMARY

For the year ended 31 March 2019

Results

	For the years ended 31 March				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Revenue	301,596	219,729	129,989	200,268	**113,546**
Profit (loss) before tax	38,072	(93,350)	(103,009)	(543)	**(88,808)**
Income tax expense	(1,433)	(1,092)	(1,363)	(7,366)	**(397)**
Profit (loss) attributable to owners of the Company	36,639	(94,442)	(104,372)	(7,909)	**(89,205)**

Assets and Liabilities

	For the years ended 31 March				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Total assets	521,935	471,133	840,431	962,426	**757,253**
Total liabilities	(221,178)	(185,007)	(413,455)	(414,134)	**(299,274)**
Non-controlling interests	—	—	—	(475)	**2,757**
Equity attributable to the owners of the Company	300,757	286,126	426,976	547,817	**460,736**