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UKF (HOLDINGS) LIMITED

英裘(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01468)

ANNUAL RESULTS ANNOUNCEMENT

For the year ended 31 March 2017

The board of Directors (the “Board”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2017 together with comparative figures for the corresponding year in 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

		2017	2016
	<i>Notes</i>	HK\$	HK\$
Revenue	3	129,988,916	219,728,624
Cost of sales		(119,904,002)	(236,662,797)
Gross profit (loss)		10,084,914	(16,934,173)
Other income		739,646	9,655,467
Write back (write down) of inventories to net realisable value, net		432,664	(5,808,579)
Impairment of goodwill		(37,857,253)	(37,575,889)
Change in fair value less costs to sell of biological assets	9	39,514,830	26,814,354
Administrative expenses		(110,051,012)	(63,838,131)
Finance costs		(5,872,731)	(5,663,120)
Loss before tax	5	(103,008,942)	(93,350,071)
Income tax expense	6	(1,362,764)	(1,091,701)
Loss for the year and attributable to owners of the Company		(104,371,706)	(94,441,772)

		2017	2016
	<i>Note</i>	HK\$	HK\$
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of overseas operations		2,214,865	(1,175,381)
Change in fair value of available-for-sale investment		357,494	380,471
Total other comprehensive income (expense) for the year, net of tax		2,572,359	(794,910)
Total comprehensive expense for the year and attributable to owners of the Company		(101,799,347)	(95,236,682)
Loss per share	8		
Basic		(3.29) cents	(3.54) cents
Diluted		(3.29) cents	(3.54) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

		2017	2016
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
Non-current assets			
Property, plant and equipment		123,520,966	135,362,408
Goodwill		125,926,167	37,857,253
Intangible assets		500,000	—
Available-for-sale investment		10,860,605	10,503,111
Deposits	<i>10</i>	1,519,464	—
Deferred tax asset		—	495,259
		262,327,202	184,218,031
Current assets			
Biological assets	<i>9</i>	32,570,784	29,483,556
Inventories		59,885,918	54,287,749
Trade and other receivables	<i>10</i>	264,334,383	27,709,702
Loan receivables	<i>11</i>	5,922,036	107,046,011
Tax recoverable		1,657,494	2,249,037
Bank balances held on behalf of clients		85,007,587	—
Bank balances and cash		128,725,579	66,138,753
		578,103,781	286,914,808
Current liabilities			
Trade and other payables	<i>12</i>	104,819,571	37,021,416
Tax payables		5,988,669	6,038,043
Bank borrowings		168,155,950	130,960,159
Obligations under finance leases		276,661	293,116
		279,240,851	174,312,734

		2017	2016
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Net current assets		298,862,930	112,602,074
Total assets less current liabilities		561,190,132	296,820,105
Non-current liabilities			
Obligations under finance leases		382,319	693,942
Corporate bond		10,000,000	10,000,000
Promissory note		123,831,499	—
Deferred tax liability		—	534
		134,213,818	10,694,476
Net assets		426,976,314	286,125,629
Capital and reserves			
Share capital	13	39,110,340	28,350,744
Reserves		387,865,974	257,774,885
		426,976,314	286,125,629

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Share capital HK\$	Share premium HK\$	Merger reserve HK\$	Share option reserve HK\$	Warrants reserve HK\$	Investments revaluation reserve HK\$	Translation reserve HK\$	Retained profit (accumulated losses) HK\$	Total HK\$
At 1 April 2015	20,063,020	179,991,821	(7,122,000)	5,578,169	694,125	(1,746,797)	1,662,122	101,636,160	300,756,620
Loss for the year	—	—	—	—	—	—	—	(94,441,772)	(94,441,772)
Other comprehensive (expense) income for the year									
Exchange difference on translation of overseas operations	—	—	—	—	—	—	(1,175,381)	—	(1,175,381)
Change in fair value of available-for-sale investment	—	—	—	—	—	380,471	—	—	380,471
Total comprehensive (expense) income for the year	—	—	—	—	—	380,471	(1,175,381)	(94,441,772)	(95,236,682)
Issue of shares upon bonus issue	4,050,124	(4,100,124)	—	—	—	—	—	—	(50,000)
Exercise of pre-IPO share options	37,600	857,081	—	(214,121)	—	—	—	—	680,560
Issue of shares upon exercise of warrants	150,000	2,904,412	—	—	(69,412)	—	—	—	2,985,000
Issue of shares by top-up placing	4,050,000	72,989,365	—	—	—	—	—	—	77,039,365
Share options granted	—	—	—	2,380,839	—	—	—	—	2,380,839
Share options lapsed	—	—	—	(781,545)	—	—	—	781,545	—
Dividend paid	—	—	—	—	—	—	—	(2,430,073)	(2,430,073)
At 31 March 2016 and 1 April 2016	28,350,744	252,642,555	(7,122,000)	6,963,342	624,713	(1,366,326)	486,741	5,545,860	286,125,629
Loss for the year	—	—	—	—	—	—	—	(104,371,706)	(104,371,706)
Other comprehensive income for the year									
Exchange difference on translation of overseas operations	—	—	—	—	—	—	2,214,865	—	2,214,865
Change in fair value of available-for-sale investment	—	—	—	—	—	357,494	—	—	357,494
Total comprehensive (expense) income for the year	—	—	—	—	—	357,494	2,214,865	(104,371,706)	(101,799,347)
Exercise of share options	399,648	8,114,313	—	(1,657,565)	—	—	—	—	6,856,396
Issue of shares upon exercise of warrants	1,659,948	25,855,906	—	—	(624,693)	—	—	—	26,891,161
Warrants lapsed	—	—	—	—	(20)	—	—	20	—
Issue of shares by placing	2,100,000	35,511,000	—	—	—	—	—	—	37,611,000
Issue of Consideration Shares	6,600,000	164,691,475	—	—	—	—	—	—	171,291,475
At 31 March 2017	39,110,340	486,815,249	(7,122,000)	5,305,777	—	(1,008,832)	2,701,606	(98,825,826)	426,976,314

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	2017 HK\$	2016 HK\$
Operating activities		
Loss before tax	(103,008,942)	(93,350,071)
Adjustments for:		
Depreciation	13,115,931	10,173,395
Loss on disposal of property, plant and equipment, net	1,454,797	—
Interest expenses	5,872,731	5,663,120
(Write back) write down of inventories to net realisable value, net	(432,664)	5,808,579
Impairment of goodwill	37,857,253	37,575,889
Allowance for bad and doubtful debts	5,752,805	1,050,549
Bad debts	28,196,082	—
Bank interest income	(5,288)	(46,946)
Change in fair value of derivative financial instruments	—	(1,115)
Adjustment for amortisation of prepaid premium	108,232	108,232
Change in fair value less costs to sell of biological assets	(39,514,830)	(26,814,354)
Write-off of other receivables	182,736	—
Share-based payment expenses	—	2,380,839
Operating cash flows before movements in working capital	(50,421,157)	(57,451,883)
Increase in biological assets	(32,780,157)	(61,545,485)
Decrease in inventories	59,914,677	99,141,416
Decrease in trade and other receivables	31,428,817	38,933,349
Decrease in deposits	1,113,135	—
Decrease (increase) in loan receivables	68,000,820	(13,844,790)
Increase in bank balances held on behalf of clients	(37,227,952)	—
Increase (decrease) in trade and other payables	902,520	(23,433,596)
Cash generated from (used in) operating activities	40,930,703	(18,200,989)
Hong Kong Profits Tax paid, net	(406,791)	(968,080)
Net cash generated from (used in) operating activities	40,523,912	(19,169,069)
Investing activities		
Bank interest received	5,288	46,946
Purchase of property, plant and equipment	(7,583,758)	(104,300,415)
Proceeds from disposal of property, plant and equipment	125,898	93,539
Net cash inflow from acquisition of a subsidiary	23,207,499	—
Net cash generated from (used in) investing activities	15,754,927	(104,159,930)

	2017 HK\$	2016 HK\$
Financing activities		
Dividend paid	—	(2,430,073)
New bank borrowings	140,304,362	261,085,426
Repayments of bank borrowings	(210,827,482)	(275,255,745)
Proceeds from issue of shares upon exercise of share options	6,856,396	680,560
Proceeds from issue of shares upon exercise of warrants	26,891,161	2,985,000
Net proceeds from issue of shares by top-up placing	—	77,039,365
Net proceeds from placing of shares	37,611,000	—
Issuance expense for bonus issue	—	(50,000)
Issuance expense for Consideration Shares	(308,525)	—
Inception of obligations under finance leases	—	1,141,571
Repayment of obligations under finance leases	(284,706)	(457,829)
Interest paid	(3,628,553)	(5,067,217)
Net cash (used in) generated from financing activities	(3,386,347)	59,671,058
Net increase (decrease) in cash and cash equivalents	52,892,492	(63,657,941)
Cash and cash equivalents at beginning of the year	66,138,753	136,483,466
Effect of foreign exchange rate changes, net	9,694,334	(6,686,772)
Cash and cash equivalents at the end of the year	128,725,579	66,138,753
Cash and cash equivalents, represented by		
Bank balances and cash	128,725,579	66,138,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. GENERAL

UKF (Holdings) Limited (the “Company”) is a public limited company incorporated in Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 20 March 2015. The address of the registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is 902, Harbour Centre, Tower 2, 8 Hok Cheung Street, Kowloon, Hong Kong.

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

The application of these amendments to 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.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ²
Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKAS 40	Transfers of Investment Property ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ²
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 — 2016 Cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted

² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

³ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted

⁴ Effective for annual periods beginning on or after a date to be determined

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

Except as disclosed below, the directors do not anticipate that the application of these amendments will have a material effect on the amounts recognised in the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group has already commenced an assessment of the impact of this new HKFRS but is not yet in a position to state whether this new HKFRS would have a material impact on its results of operations and financial position.

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group has already commenced an assessment of the impact of this new HKFRS but is not yet in a position to state whether this new HKFRS would have a material impact on its results of operations and financial position.

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. 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.

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.

In contrast to lessee accounting, 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.

The Group has already commenced an assessment of the impact of this new HKFRS but is not yet in a position to state whether this new HKFRS would have a material impact on its results of operations and financial position.

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

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

3. REVENUE

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

	2017 HK\$	2016 HK\$
Trading of fur skins	52,380,453	152,389,002
Mink farming	65,049,584	47,970,820
Fur skins brokerage	5,693,695	19,368,802
Commission income from		
— securities dealing	1,186,946	—
— underwriting and placing	2,245,276	—
Interest income from securities clients	3,432,962	—
	<u>129,988,916</u>	<u>219,728,624</u>

4. SEGMENT INFORMATION

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

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

Trading of fur skins	—	Trading of fur skins of foxes and minks
Fur skins brokerage	—	Provision of fur brokerage and financing services
Mink farming	—	Provision of breeding, farming and sale of livestock and pelted skins
Securities brokerage	—	Operation of securities brokerage, margin financing, underwriting and placing services

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

For the year ended 31 March 2017

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

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

Other information

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

For the year ended 31 March 2016

	Trading of fur skins <i>HK\$</i>	Fur skins brokerage <i>HK\$</i>	Mink farming <i>HK\$</i>	Total <i>HK\$</i>
Revenue	152,389,002	19,368,802	47,970,820	219,728,624
RESULTS				
Segment results	(25,723,754)	19,368,802	(10,579,221)	(16,934,173)
Other income	2,193,429	575,136	6,886,902	9,655,467
Write down of inventories to net realisable value, net	(1,817,299)	—	(3,991,280)	(5,808,579)
Impairment of goodwill	—	(37,575,889)	—	(37,575,889)
Change in fair value less costs to sell of biological assets	—	—	26,814,354	26,814,354
Allowance for bad and doubtful debts	—	(1,050,549)	—	(1,050,549)
Operating expenses	(7,245,570)	(5,729,499)	(38,563,863)	(51,538,932)
Unallocated corporate expenses				(11,248,650)
Finance costs				(5,663,120)
Loss before tax				(93,350,071)
Income tax expense				(1,091,701)
Loss for the year				(94,441,772)
	Trading of fur skins <i>HK\$</i>	Fur skins brokerage <i>HK\$</i>	Mink farming <i>HK\$</i>	Total <i>HK\$</i>
ASSETS				
Segment assets	22,028,226	145,300,525	212,953,329	380,282,080
Unallocated corporate assets				90,850,759
Total assets				471,132,839
LIABILITIES				
Segment liabilities	60,278,844	—	31,237,532	91,516,376
Unallocated corporate liabilities				93,490,834
Total liabilities				185,007,210

Other information

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

Segment result represents the result from each segment without allocation of central administration costs including directors' salaries, finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

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

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

Geographical information

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

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
The People's Republic of China (the "PRC")	56,791,184	127,860,816
Europe	65,049,584	86,325,669
Hong Kong	8,148,148	5,542,139
	<u>129,988,916</u>	<u>219,728,624</u>

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2017 HK\$	2016 HK\$	2017 HK\$	2016 HK\$
Hong Kong	638,667,320	254,142,062	5,183,523	145,000
Denmark	201,763,663	216,990,777	2,400,235	104,155,415
	<u>840,430,983</u>	<u>471,132,839</u>	<u>7,583,758</u>	<u>104,300,415</u>

Information about major customers

For the year ended 31 March 2017, included in revenue arising from trading of fur skins and mink farming of approximately HK\$117,430,037 (2016: HK\$200,359,822) are revenue of approximately HK\$104,889,000 (2016: HK\$176,037,000) generated from sales to the Group's top three (2016: three) customers. Total amount of revenue from these customers for the two financial years ended 31 March 2017 and 2016 are as follows:

	2017 HK\$	2016 HK\$
Customer A (Segment: Trading of fur skins)	20,506,000	—*
Customer B (Segment: Trading of fur skins)	19,333,000	27,652,000
Customer C (Segment: Trading of fur skins)	—*	62,059,000
Customer D (Segment: Trading of fur skins & mink farming)	65,050,000	86,326,000
	<u>104,889,000</u>	<u>176,037,000</u>

* These customers contributed less than 10% to the Group's revenue for the year ended 31 March 2017 or 2016.

No other single customer contributed 10% or more to the Group's revenue for both years ended 31 March 2017 and 2016.

5. LOSS BEFORE TAX

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

	2017 HK\$	2016 HK\$
Auditor's remuneration	1,004,000	816,000
Bad debts	28,196,082	—
Cost of inventories recognised as expenses	113,010,525	228,576,563
Depreciation	13,115,931	10,173,395
Net foreign exchange loss (gain)	10,928,237	(6,307,890)
Staff costs (including directors' remuneration)		
— salaries and allowance	23,293,420	22,585,711
— retirements benefits scheme contributions	1,590,151	747,329
Loss on disposal of property, plant and equipment, net	1,454,797	—
Operating lease payments	2,257,588	1,335,477
Share-based payment expenses	—	2,380,839
(Write back) write down of inventories to net realisable value, net	(432,664)	5,808,579
Impairment of goodwill	37,857,253	37,575,889
Allowance for bad and doubtful debts	5,752,805	1,050,549
Change in fair value of derivative financial instruments	—	(1,115)
	<u> </u>	<u> </u>

6. INCOME TAX EXPENSE

	2017 HK\$	2016 HK\$
Current tax		
Hong Kong Profits Tax	670,086	459,526
Other jurisdictions	—	—
	<u>670,086</u>	<u>459,526</u>
Under (over) provision in prior years		
Hong Kong Profits Tax	197,953	(2)
Other jurisdictions	—	—
	<u>197,953</u>	<u>(2)</u>
Deferred tax expense		
Current year	494,725	632,177
	<u>494,725</u>	<u>632,177</u>
Total income tax expense for the year	<u>1,362,764</u>	<u>1,091,701</u>

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

Subsidiary in Denmark is subject to Denmark Corporation Tax at 22% for the reporting year (2016: 22%).

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

	2017 HK\$	2016 HK\$
Loss before tax	(103,008,942)	(93,350,071)
Tax at Hong Kong Profits Tax of 16.5%	(16,996,476)	(15,402,762)
Tax effect of income not taxable for tax purposes	(1,003,583)	(208)
Tax effect of expenses not deductible for tax purposes	8,197,958	10,720,385
Tax effect on tax losses not recognised	12,617,758	8,163,850
Under (over) provision in prior years	197,953	(2)
Tax effect of tax relief	—	(20,000)
Utilisation of tax losses previously not recognised	(35,365)	—
Effect of different tax rates of group entities operating in other jurisdictions	(1,615,481)	(2,369,562)
Income tax expense for the year	<u>1,362,764</u>	<u>1,091,701</u>

7. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2017, nor has any dividend been proposed since the end of the reporting period (2016: final dividend of HK0.12 cents per share, total HK\$2,430,073, was paid for the year ended 31 March 2015).

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the loss attributable to owners of the Company for the year ended 31 March 2017 of HK\$104,371,706 (2016: loss of HK\$94,441,772) and the weighted average number of ordinary shares of 3,172,664,651 (2016: 2,668,429,296 shares).

Diluted loss per share

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

9. BIOLOGICAL ASSETS

Movements of the biological assets are as follows:

	Mated females <i>HK\$</i>	Males for breeding <i>HK\$</i>	Total <i>HK\$</i>
At 1 April 2015	18,224,898	284,827	18,509,725
Increase due to purchase	20,315,008	10,460,146	30,775,154
Increase due to raising (Feeding cost and others)	18,031,699	12,816,294	30,847,993
Change in fair value less costs to sell	2,506,767	24,307,587	26,814,354
Decrease due to sale	(77,662)	—	(77,662)
Transferred to inventory	(31,038,706)	(47,621,566)	(78,660,272)
Exchange alignment	1,259,375	14,889	1,274,264
At 31 March 2016 and 1 April 2016	29,221,379	262,177	29,483,556
Increase due to raising (Feeding cost and others)	19,195,207	13,687,739	32,882,946
Change in fair value less costs to sell	10,634,390	28,880,440	39,514,830
Decrease due to sale	—	(102,789)	(102,789)
Transferred to inventory	(25,200,094)	(42,422,391)	(67,622,485)
Exchange alignment	(1,571,147)	(14,127)	(1,585,274)
At 31 March 2017	<u>32,279,735</u>	<u>291,049</u>	<u>32,570,784</u>

The number of biological assets is as follows:

	2017	2016
Mated females	52,510	49,654
Males for breeding	434	405
At the end of the year	<u>52,944</u>	<u>50,059</u>

Analysed for reporting purposes as follows:

	2017	2016
	HK\$	HK\$
Current assets	32,570,784	29,483,556
Non-current assets	—	—
At the end of the year	32,570,784	29,483,556

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

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

The qualification of Valuer

The Group's biological assets were independently valued by Peak Vision Appraisals Limited ("Valuer") as at 31 March 2017 (the "Valuation Date"). The professional valuers in charge of this valuation have appropriate qualifications and relevant experience in various appraisal assignments involving biological assets and agricultural produce. The professional valuers involved in this valuation include a professional member of the Royal Institution of Chartered Surveyors (MRICS) and of the Hong Kong Institute of Surveyors (MHKIS) and have appraisal experience in a broad range of assets such as property assets, industrial assets, biological assets, mining rights and assets, technological assets and financial assets in the PRC, Hong Kong, Europe and abroad. They have previously participated in the valuation of biological assets and agricultural produce such as hogs, vegetables, fruits, grains and landscaping plants.

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

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

Valuation methodology of biological assets

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

Valuation of mated females

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

Valuation of males

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

Prices and costs of the Biological Assets

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

	DKK
Feed	122
Salary	110
Other variable cost (<i>Note 1</i>)	10
Lower value of male breeders (<i>Note 2</i>)	30
Pelting (<i>Note 3</i>)	30
Sales fee (<i>Note 3</i>)	9
Surplus from Copenhagen Fur (<i>Note 4</i>)	3-5%

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 livestock and are deducted from the assessed fair value.

Note 4: Surplus from Copenhagen 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 skins price and birth rate. The pre-tax real discount rate applied for the valuation as at the Valuation Date is 12.06% (2016: 13.04%) after adjusting for tax and inflation. The average skins price applied for mated females and males are approximately DKK358 and DKK620 respectively. The birth rate applied for mated females is 6.

Result

Pursuant to the investigation, analysis and valuation method employed by the Valuer, the fair value less costs to sell of mated females and males for breeding are approximately DKK550 and DKK600 respectively.

Valuation assumptions

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

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

- (j) The business enterprise shall have uninterrupted rights to operate its existing business during the unexpired term of its authorized operating period;
- (k) Interest rates and exchange rates in the localities for the operation of the business enterprise will not differ materially from those presently prevailing;
- (l) All relevant approvals, business certificates, licences or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate will be officially obtained and renewable upon expiry unless otherwise stated; and
- (m) There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the business enterprise operates or intends to operate, which would adversely affect the revenues and profits attributable to the business enterprise upon the disposal of the biological assets.

Sensitivity analysis

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

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

Change in the birth rate applied resulted in significant fluctuations in the change in fair value of biological assets. The following table illustrates the sensitivity of the Group net change in fair value of biological assets to increase or decrease by 1 in the birth rate applied by the Valuer for the year ended 31 March 2017.

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

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

	+5% DKK	Base case DKK	+5% HK\$	Base case HK\$
Net change in fair value less costs to sell	<u>7,368,760</u>	<u>29,140,900</u>	<u>8,236,063</u>	<u>32,570,784</u>

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

10. TRADE AND OTHER RECEIVABLES/DEPOSITS

	2017 HK\$	2016 HK\$
Trade receivables from:		
Securities brokerage business (<i>Note a</i>)		
— Cash client	12,545,091	—
— Margin client	218,352,906	—
— Clearing house	85,936	—
Trading of fur skins business (<i>Note b</i>)	26,346,590	15,852,059
Fur skins brokerage business (<i>Note b</i>)	49,913	393,044
	257,380,436	16,245,103
Less: Allowance for bad and doubtful debts	(825,732)	—
	256,554,704	16,245,103
Other receivables:		
Amount due from brokers	265,880	—
Deposit with auction houses and suppliers	3,207,500	8,426,886
Feed deposit	—	1,186,922
Prepayment	1,581,825	1,506,747
Rental, utilities and other deposits	1,244,464	222,475
Statutory deposit	275,000	—
Consideration receivable for disposal of motor vehicle	2,480,000	—
Others	244,474	121,569
	265,853,847	27,709,702
Analysis for reporting purpose as:		
Current assets	264,334,383	27,709,702
Non-current assets	1,519,464	—
	265,853,847	27,709,702

Notes:

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

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

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

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

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

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

	2017	2016
	HK\$	HK\$
Neither past due nor impaired	217,613,110	—
Past due but not impaired	12,545,091	—
	230,158,201	—

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

	2017 HK\$	2016 <i>HK\$</i>
Past due within one month	8,297,319	—
Past due from one month to three months	4,247,772	—
	<u>12,545,091</u>	<u>—</u>

The following is the movement in allowance for bad and doubtful debts for the year ended 31 March 2017 and 2016.

	2017 HK\$	2016 <i>HK\$</i>
Balance at beginning of the year	—	—
Allowance for bad and doubtful debts	825,732	—
	<u>825,732</u>	<u>—</u>

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

	2017 HK\$	2016 <i>HK\$</i>
0 - 60 days	12,985,543	4,586,335
61 - 90 days	10,110,635	2,205,171
91 - 120 days	3,277,805	6,454,500
Over 120 days	22,520	2,999,097
	<u>26,396,503</u>	<u>16,245,103</u>

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

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

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

	2017 HK\$	2016 <i>HK\$</i>
0 - 60 days	—	1,818,222
61 - 90 days	—	—
91 - 120 days	—	1,180,875
Over 120 days	22,520	—
	22,520	2,999,097

11. LOAN RECEIVABLES

	2017 HK\$	2016 <i>HK\$</i>
Loans to customers	10,467,192	105,082,631
Less: Allowance for bad and doubtful debts on individual assessment	(5,233,596)	(1,050,549)
	5,233,596	104,032,082
Accrued interest receivables	688,440	3,013,929
	5,922,036	107,046,011

The Group offered a credit period of 180 days for the loans to its customers in fur skin brokerage business with interest rate of 4.8% (2016: 4.8% to 12%) per annum. The Group maintains strict control over its outstanding loans to minimise credit risk. Overdue balance is reviewed regularly by management. Allowance for bad and doubtful debts is recognised against loans receivables that was overdue based on estimated irrecoverable amount at the end of the reporting period.

The following is an aging analysis of the Group's loan receivables by age, presented based on the advancement date and net of allowance for bad and doubtful debts at 31 March 2017 and 2016:

	2017 HK\$	2016 <i>HK\$</i>
0 - 60 days	—	20,634,319
61 - 90 days	—	4,290,000
91 - 180 days	—	59,147,326
Over 180 days	5,233,596	19,960,437
	5,233,596	104,032,082

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

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

The following is an aging analysis of the Group's loan receivables that are past due but not impaired at 31 March 2017 and 2016.

	2017 HK\$	2016 <i>HK\$</i>
0 - 60 days	—	839,820
61 - 90 days	—	4,892,482
91 - 180 days	—	14,228,135
Over 180 days	5,233,596	—
	5,233,596	19,960,437

The following is the movement in allowance for bad and doubtful debts for the year ended 31 March 2017 and 2016.

	2017 HK\$	2016 <i>HK\$</i>
Balance at beginning of the year	1,050,549	—
Amounts written off as uncollectible	(744,026)	—
Provision for the year	4,927,073	1,050,549
Balance at end of the year	5,233,596	1,050,549

The following is an aging analysis of the Group's loan receivables that are past due and impaired at 31 March 2017 and 2016.

	2017 HK\$	2016 <i>HK\$</i>
Overdue by:		
0 - 60 days	—	44,201
61 - 90 days	—	257,499
91 - 180 days	—	748,849
Over 180 days	5,233,596	—
	5,233,596	1,050,549

12. TRADE AND OTHER PAYABLES

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Trade payables from:		
Securities brokerage business: <i>(Note a)</i>		
— Cash clients	24,567,813	—
— Margin clients	51,509,899	—
— Clearing house	10,565,507	—
Trading of fur skins and mink farming business <i>(Note b)</i>	8,087,804	5,255,347
	94,731,023	5,255,347
Other payables:		
Accruals	5,936,576	4,330,122
Accrued payment for farm acquisition	—	22,669,020
Value-added tax payable	1,894,713	2,143,391
Other operating expenses payables	2,239,376	2,590,580
Others	17,883	32,956
	104,819,571	37,021,416

Notes:

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

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

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

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

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

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

	2017	2016
	<i>HK\$</i>	<i>HK\$</i>
0 - 60 days	5,569,215	1,491,190
61 - 90 days	—	—
91 - 120 days	—	—
Over 120 days	2,518,589	3,764,157
	8,087,804	5,255,347

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

13. SHARE CAPITAL

	<i>Notes</i>	Number of ordinary shares of HK\$0.01 each	<i>HK\$</i>
Authorised:			
At 1 April 2015,		2,500,000,000	25,000,000
Increase in authorised share capital		7,500,000,000	75,000,000
At 31 March 2016, 1 April 2016 and 31 March 2017		10,000,000,000	100,000,000
Issued and fully paid:			
At 1 April 2015		2,006,302,000	20,063,020
Issue of shares upon bonus issue		405,012,400	4,050,124
Exercise of pre-IPO share options		3,760,000	37,600
Issue of shares upon exercise of warrants		15,000,000	150,000
Issue of shares by top-up placing		405,000,000	4,050,000
At 31 March 2016 and 1 April 2016		2,835,074,400	28,350,744
Exercise of share options	(a)	39,964,800	399,648
Issue of shares upon exercise of warrants	(b)	165,994,815	1,659,948
Issue of shares by placing	(c)	210,000,000	2,100,000
Issue of Consideration Shares	(d)	660,000,000	6,600,000
At 31 March 2017		3,911,034,015	39,110,340

During the year ended 31 March 2017, the movements in the Company's share capital are as follows:

- (a) During the year ended 31 March 2017, a total of 39,964,800 new shares were issued upon exercise of 16,588,800 share options under the pre-IPO share option scheme and share option scheme adopted by the Company on 1 August 2012 at an aggregate proceed of HK\$6,856,396, of which HK\$399,648 was credited to share capital and the remaining balance of HK\$6,456,748 was credited to the share premium account. In addition, an amount attributable to the related share options of HK\$1,657,565 has been transferred from share option reserve to the share premium account.
- (b) During the year ended 31 March 2017, a total of 165,994,815 new shares were issued upon exercise of unlisted warrants at revised subscription price of HK\$0.162, which brought a net proceeds of HK\$26,891,160 to the Company.
- (c) During the year ended 31 March 2017, 210,000,000 new shares were issued by placing at HK\$0.180 per share through a placing agent, Sun International Securities Limited.

- (d) In July 2016, a wholly-owned subsidiary of the Company, Pearl Bay Investments Limited, signed an agreement (the “Agreement”) with Excel Blaze Limited for acquiring the entire issued capital of, and the shareholder’s loan to Great Roc Capital Securities Limited (the “Acquisition”). According to the Agreement, the Company had to issue 660,000,000 Consideration Shares as part of the consideration for the Acquisition. The Acquisition was completed in January 2017, and the market price of the Company’s share at date of the Acquisition was HK\$0.26 per share.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The fur market in this financial year started in a positive way initially as the biggest mink auction house, Copenhagen Fur, received better bidding of the skins resulting in the mink prices going up by almost 10 percent in every auction until September 2016 which was the last auction of the season. The upward trend during this six months from April 2016 has helped boost the fur trade in general, and made profit on fur skin trading segment. However, new challenges set in that wiped out the benefits of the upward mink prices. Some Chinese fur buying brokers undercut the buying commission by 50 percent putting the over 80-year history fur market in an unprecedented muddle.

Moreover, the competition of the fur market has even escalated to the manner that a couple of fur dressers even offered no buying commission since September 2016 as long as the customers dressed the purchased skins with them. They have even cooperated with local banks in China to finance their customers' purchases. All these extraordinary actions have created a heavily negative and chaotic atmosphere in the fur market.

Worse, the fur skin prices suffered a drop in January 2017, the beginning of a new fur season. This has affected our mink farming, as the average of the skins sold in auctions were still below our farming cost.

FUR SKIN TRADING

As the Group anticipated correctly the upward trend of the fur skins during the period of April to September auctions, U.K. Fur Limited, the Group's fur skin trading vehicle, had performed well and contributed profit for the Group in this financial year.

FUR SKIN BROKERAGE AND FINANCING

Facing the cut-throat competition from the Chinese fur buying brokers, the buying commission profit margin for the last 80 years have been lost. Loyal Speed Limited ("Loyal Speed"), the Company's fur skin brokerage and financing arm, could hardly compete especially when the Chinese local banks supported and financed the ultimate buyers with much cheaper bank interest than the regular fur companies could offer. In addition, the fur skins held by Loyal Speed as collaterals for the outstanding purchase price owed by the customers, were sold at a big discount which was close to the then market price, causing the impairment of the loan receivables.

MINK FARMING

The operating of the mink farms has been good and efficient. Even though the average mink prices of revenue that UKF (Denmark) A/S generated were close to the farming costs, the depreciation for the 12 mink farms, as an operating expenditure, still making mink farming to incur a net loss for the year.

SECURITIES BROKERAGE

On 20 January 2017, the Group successfully completed the acquisition of Great Roc Capital Securities Limited (“Great Roc”). It is a company permitted to carry out Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). In around two months’ time, Great Roc managed to contribute approximately HK\$6.9 million revenue.

PROSPECT

The fur business has been apparently encountering an exceptional difficult time while the mink prices are still below the farming cost. One can reasonably foresee that a lot of peer companies will go bankrupt and the market will remain unease for some time. The only pleasant news is that fur is still in fashion, and a lot of famous fashion brands are still using fur in their coming fall and winter collections.

As soon as the mink prices recover to a last 10 years’ average level and farms cut production to minimize their loss, our mink farming segment will show a handsome profit as Danish minks are still of the highest demand.

Although the securities brokerage business has yet contributed any profit for the financial year, it is growing inspiringly in the new financial year and expect that this segment would become a major revenue driver of the Group. Going forward, the Group is taking this business as the first step in building and expanding its presence in the financial services sector. The Group will continue to expedite the development of its new financial business segment and explore other business and investment opportunities in the financial service sector with a view to enhance the Group’s future development.

FINANCIAL REVIEW

Revenue

The consolidated audited revenue of the Group for the year ended 31 March 2017 was approximately HK\$130.0 million, representing a decrease of approximately 40.84% from approximately HK\$219.7 million for the year ended 31 March 2016. The decrease in the revenue was mainly attributable to (i) the reduction in commission income and financing interest income of the Group's fur skins brokerage and financing business and (ii) the newly acquired securities brokerage business could only contribute around two months' revenue. The increase in auction price of fur skin in 2016 provided little help in this respect as the trading volume shrank.

Cost of sales

The cost of sales of the Group amounted to approximately HK\$119.9 million for the year ended 31 March 2017, representing a decrease of approximately 49.34% from approximately HK\$236.7 million for the year ended 31 March 2016 which was in line with the decrease in revenue.

Write back of inventories

As fur skin price gradually increased in this financial year, there was approximately HK\$0.4 million write back of inventories to the net realisable value.

Impairment of goodwill

Facing the unprecedented fierce competition, the performance of fur skins brokerage showed no sign of improvement. In view of above, the Group recognised an impairment loss of approximately HK\$37.9 million for the year ended 31 March 2017 (2016: HK\$37.6 million).

Gross profit and gross profit margin

The Group recorded a gain of approximately HK\$10.1 million for the year ended 31 March 2017, compared with the gross loss of approximately HK\$16.9 million for the year ended 31 March 2016 as the fur skin price in auction improved where write down of inventory was not necessary.

Administrative expenses

The administrative expenses of the Group increased by approximately 72.39 % from approximately HK\$63.8 million for the year ended 31 March 2016 to approximately HK\$110.1 million for the year ended 31 March 2017. The increase in the administrative expenses was primarily due to bad debts from fur skins brokerage and financing business and net foreign exchange loss from depreciation of Danish Krone against Hong Kong dollars.

Finance costs

The finance costs of the Group slightly increased by approximately 3.7% from approximately HK\$5.7 million for the year ended 31 March 2016 to approximately HK\$5.9 million for the year ended 31 March 2017.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group mainly finances its operations with internally generated cash flow, bank borrowings and corporate bond. The Group maintained bank balances and cash of approximately HK\$128.7 million as at 31 March 2017 (2016: approximately HK\$66.1 million) in Hong Kong dollars (“HK\$”) and United States dollars (“US\$”). The net assets of the Group as at 31 March 2017 were approximately HK\$427.0 million (2016: approximately HK\$286.1 million).

On 29 July 2016, the Company entered into a placing agreement with Sun International Securities Limited as the placing agent (the “Placing Agent”) where the Company agreed to appoint and the Placing Agent agreed to, on a best effort basis, procure not less than six placees to subscribe up to 210,000,000 new shares of the Company (the “Shares”) by means of specific mandate at a price of HK\$0.18 each (the “Placing”). Such Placing was conditional upon the approval of shareholders of the Company (the “Shareholders”) at the special general meeting. The special mandate was approved by the Shareholders and 210,000,000 Shares were successfully placed, a gross and net proceeds raised were HK\$37.8 million and HK\$37.6 million respectively. The intended use of net proceeds was applied for expansion of the new securities brokerage business. As at 31 March 2017, approximately HK\$35 million was used for the same purpose.

The Company has also issued 660,000,000 new shares under specific mandate as part of consideration settled in a acquisition of a securities brokerage company. Please refer to Section “Material Acquisitions or Disposals and Significant Investments” below.

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 2017.

As at 31 March 2017, the Group had bank borrowings, which represented trust receipt loans, term loans and revolving loans of approximately HK\$9.9 million, HK\$58.3 million and HK\$100 million respectively to finance its purchases of fur skins, margin financing and general working capital (2016: HK\$59.5 million, HK\$71.4 million and Nil respectively). All of bank borrowings were held in HK\$, US\$ and Danish Krone (“DKK”). The Group has obtained various banking facilities of up to HK\$214 million (2016: HK\$280 million) with different covenants such as (i) corporate guarantees provided by the Company, (ii) charge over fixed assets, inventories and biological assets and/or (iii) the requirements that the net external gearing ratio shall not be more than 150% and the tangible net worth of the Group shall grow by at least HK\$15 million annually. The net external gearing ratio, representing the ratio of total interest bearing borrowings to the net assets of the Group, was about 70.9% as at 31 March 2017 (2016: about 49.6%).

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

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

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

CHARGE OF ASSETS

As at 31 March 2017, the Group charged the key management insurance contract which is classified as an available-for-sale investment of approximately HK\$11 million (2016: HK\$10 million), property, plant and equipment, biological assets and inventories of approximately DKK101,573,000 (approximately HK\$113,528,000) (2016: DKK104,403,000, approximately HK\$122,882,000) for bank borrowings.

CAPITAL COMMITMENTS

As at 31 March 2017, the Group did not have any significant capital commitments (2016: Nil).

MATERIAL ACQUISITIONS OR DISPOSALS AND SIGNIFICANT INVESTMENTS

On 30 July 2016, Pearl Bay Investments Limited, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with Excel Blaze Limited (“Vendor”) and Mr. Yan Kam Cheong (“Vendor’s Guarantor”), to acquire 100% equity interest of Great Roc Capital Securities Limited (the “Target Company”), which is a licensed corporation to carry on Type 1 and Type 4 regulated activities under the Securities and Futures Ordinance (“SFO”), together with a shareholder’s loan for a total consideration of HK\$264,300,000 which was proposed to be partly settled by issue of 660,000,000 new shares at the price of HK\$0.18 per share and a promissory noted issued by the Company. The consideration was determined on an arm’s length basis and normal commercial terms with reference to (i) the audited net asset value of the Target Company as at 29 February 2016; (ii) the shareholder’s loan; (iii) the historical financial performance of the Target Company; and (iv) the business prospect of the Target Company. Both the Vendor and the Vendor’s Guarantor are independent third parties of the Company. The acquisition was approved by shareholders at the special general meeting on 14 November 2016 and was completed on 20 January 2017.

EMPLOYEE INFORMATION

As at 31 March 2017, the Group had a total of 66 staff members including Directors (2016: 59). Staff costs including Director’s remuneration amounted to approximately HK\$24.9 million for the year ended 31 March 2017 (2016: approximately HK\$25.7 million). Remuneration is determined based on the individual’s qualification, experience, position, job responsibility and market conditions. Salary adjustments and staff promotion are based on evaluation of staff performance by way of annual review, and discretionary bonuses would be paid to staff with reference to the financial performance of the Group of the preceding financial year. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong, and options that were granted or may be granted under the pre-IPO share option scheme (“Pre-IPO Share Option Scheme”) and the share option scheme of the Company (the “Share Option Scheme”, together with the Pre-IPO Share Option Scheme, the “Share Option Schemes”) both of which were approved by the then sole shareholder on 1 August 2012.

RISK MANAGEMENT

Credit Risk

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

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

Liquidity risk

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

Foreign currency risk

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

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure to foreign currency risk. The management of the Group may implement foreign currency forward contracts to hedge the exposure to foreign currency risk. Apart from the aforementioned foreign currency contracts, the management of the Group did not consider it is necessary to use foreign currency hedging policy as most of the assets and liabilities denominated in currencies other than the functional currency of the entity to which they related are short term foreign currency cash flows. As the HK\$ is pegged to the US\$, the Group considers the risk of movements in exchange rates between the HK\$ and the US\$ to be insignificant.

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

ADVANCES TO THE ENTITIES

Pursuant to the Rules 13.13 and 13.15 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), a disclosure obligation arises where the relevant advance to the entities from the Group exceeds 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules. As at 31 March 2017, Loyal Speed Limited, an indirect wholly-owned subsidiary of the Company, has advanced loans to a fur brokerage customer, namely Modern Fur Company Limited (the “MF Loans”) to finance its purchase of fur skins from the auction houses and the amounts due to the Group from the above customer did not exceeded 8% of the total assets of the Group (approximately HK\$840.4 million).

The table below sets out the details of the MF Loans as at 31 March 2017:

MF Loans	
Amount due to the Group	HK\$10,467,192
Credit Term	180 days
Interest Rate	0.4% per month
Collateral	The fur skins purchased with the relevant part of the MF Loan

Loans made to Fur Supply (China) Limited during prior and current years were either settled or written off by the end of the reporting period.

FINAL DIVIDEND

The Directors do not recommend any final dividend for the year ended 31 March 2017.

CORPORATE GOVERNANCE

The Company has fully complied with the required code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “Code”) contained in Appendix 14 of the Listing Rules for the year ended 31 March 2017 with the following exception:

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

Although the company secretary of the Company, Mr. Lam Chi Tat, is not an employee of the Company, the Company has assigned Ms. Kwok Yin Ning, the Chief Executive Officer and an executive Director, as the contact person with Mr. Lam. Information in relation to the performance, financial position and other major developments and affairs of the Group are speedily delivered to Mr. Lam through the contact person assigned. Having in place a mechanism that Mr. Lam 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. Lam as the company secretary is beneficial to the Group’s compliance with the relevant board procedures, applicable laws, rules and regulations.

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 2017, they had fully complied with the Securities Dealings Code.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

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

The Group’s annual results for the year ended 31 March 2017 have been reviewed by the Audit Committee. The Audit Committee is of opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

SCOPE OF WORK OF HLM CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2017 as set out in this announcement have been agreed by the Group’s auditors, HLM CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by HLM CPA Limited in this respect did not constitute any assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLM CPA Limited in this announcement.

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

Hong Kong, 29 June 2017

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

Executive Directors:

Mr. Wong Chun Chau (*Chairman*)

Ms. Kwok Yin Ning

Independent Non-executive Directors:

Ms. Mak Yun Chu

Mr. Tang Tat Chi

Mr. Hung Wai Che