

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



UKF (HOLDINGS) LIMITED

英裘(控股)有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 08168)

ANNUAL RESULTS ANNOUNCEMENT

For the year ended 31 March 2014

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors of UKF (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company (the “Directors”), having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS

- Turnover slightly increased by 1.4% to HK\$301.6 million.
- Profit for the year and attributable to shareholders of the Company increased by 32.1% to HK\$35.8 million.
- Basic earnings per share for the year ended 31 March 2014 were HK2.28 cents (2013: HK2.58 cents).
- Proposed final dividend was HK0.3 cents per share.
- The Board has proposed to make a bonus issue of one new share credited as fully paid for every five shares held by shareholders whose names appear on the Register of Members on 25 July 2014, Friday. The relevant resolution will be proposed at the forthcoming AGM, and if passed and upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing permission to deal in such new shares, share certificates of the Bonus Shares is expected to post on 4 August 2014, Monday.

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 2014 together with comparative figures for the corresponding year in 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	<i>Notes</i>	2014 HK\$	2013 <i>HK\$</i>
Turnover	3	301,637,189	297,524,230
Cost of sales		(241,992,045)	(249,798,824)
Gross profit		59,645,144	47,725,406
Other income		4,195,654	298,943
Change in fair value less costs to sell of biological assets	9	15,491,335	199,872
Administrative expenses		(34,810,946)	(19,157,934)
Finance costs		(4,528,491)	(2,212,528)
Profit before tax	5	39,992,696	26,853,759
Income tax (expense) credit	6	(4,151,429)	271,943
Profit for the year and attributable to shareholders of the Company		35,841,267	27,125,702
Other comprehensive expenses			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of overseas operations		(105,530)	(7,722)
Total comprehensive income for the year attributable to shareholders of the Company		35,735,737	27,117,980
Earnings per share	8		
Basic		2.28 cents	2.58 cents
Diluted		2.23 cents	2.54 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	<i>Notes</i>	2014 HK\$	2013 HK\$
Non-current assets			
Property, plant and equipment		40,007,400	15,756,136
Investment properties		1,473,621	741,262
Deferred tax asset		—	503,089
Goodwill		75,433,142	—
		<u>116,914,163</u>	<u>17,000,487</u>
Current assets			
Biological assets	9	14,009,767	5,990,558
Inventories		55,325,234	88,978,954
Trade and other receivables	10	104,980,483	52,611,026
Loan receivables	11	106,742,130	—
Pledged bank deposits		8,528,800	—
Bank balances and cash		60,756,260	134,468,472
		<u>350,342,674</u>	<u>282,049,010</u>
Current liabilities			
Trade and other payables	12	55,204,135	79,798,868
Tax payables		8,108,216	6,562,161
Bank borrowings		103,373,132	31,655,899
Obligations under finance lease		186,580	—
		<u>166,872,063</u>	<u>118,016,928</u>
Net current assets		<u>183,470,611</u>	<u>164,032,082</u>
Total assets less current liabilities		<u>300,384,774</u>	<u>181,032,569</u>
Non-current liabilities			
Obligations under finance lease		211,525	—
Corporate bond		10,000,000	10,000,000
Promissory note		18,574,714	—
Deferred tax liability		127,081	7,470
		<u>28,913,320</u>	<u>10,007,470</u>
Net assets		<u>271,471,454</u>	<u>171,025,099</u>
Capital and reserve			
Share capital	13	16,517,760	11,520,000
Reserves		254,953,694	159,505,099
		<u>271,471,454</u>	<u>171,025,099</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Share capital HK\$	Share premium HK\$	Merger reserve HK\$	Share option reserve HK\$	Warrants reserve HK\$	Translations reserve HK\$	Retained profit HK\$	Total HK\$
At 1 April 2012	7,200,000	—	(7,122,000)	—	—	—	28,577,489	28,655,489
Profit for the year	—	—	—	—	—	—	27,125,702	27,125,702
Other comprehensive expense for the year	—	—	—	—	—	(7,722)	—	(7,722)
Total comprehensive (expense) income for the year	—	—	—	—	—	(7,722)	27,125,702	27,117,980
Issue of shares upon listing	2,400,000	60,000,000	—	—	—	—	—	62,400,000
Issue of shares by placing for cash	1,920,000	58,560,000	—	—	—	—	—	60,480,000
Shares issue expenses	—	(3,910,279)	—	—	—	—	—	(3,910,279)
Share option granted	—	—	—	4,561,909	—	—	—	4,561,909
Dividend paid	—	—	—	—	—	—	(8,280,000)	(8,280,000)
At 31 March 2013 and 1 April 2013	11,520,000	114,649,721	(7,122,000)	4,561,909	—	(7,722)	47,423,191	171,025,099
Profit for the year	—	—	—	—	—	—	35,841,267	35,841,267
Other comprehensive expense for the year	—	—	—	—	—	(105,530)	—	(105,530)
Total comprehensive (expense) income for the year	—	—	—	—	—	(105,530)	35,841,267	35,735,737
Issue of share upon bonus issue	2,359,360	(2,359,360)	—	—	—	—	—	—
Exercise of Pre-IPO share options	334,400	9,501,025	—	(2,803,105)	—	—	—	7,032,320
Issue of shares by placing for cash	2,304,000	62,208,000	—	—	—	—	—	64,512,000
Shares issue expenses	—	(1,831,792)	—	—	—	—	—	(1,831,792)
Share option granted	—	—	—	3,052,670	—	—	—	3,052,670
Dividend paid	—	—	—	—	—	—	(8,257,760)	(8,257,760)
Issue of warrants	—	—	—	—	570,000	—	—	570,000
Warrants issue expenses	—	—	—	—	(366,820)	—	—	(366,820)
At 31 March 2014	16,517,760	182,167,594	(7,122,000)	4,811,474	203,180	(113,252)	75,006,698	271,471,454

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Operating activities		
Profit before tax	39,992,696	26,853,759
Adjustments for:		
Depreciation	2,983,370	126,662
Loss on disposal of property, plant and equipment	764,877	—
Interest income	(158,381)	—
Interest expenses	4,528,491	2,212,528
Bank interest income	(29,394)	(278)
Written down of inventories	1,453,427	—
Net change in fair value less costs to sell of biological assets	(15,491,335)	(199,872)
Share-based payment expenses	3,052,670	4,561,909
Operating cash flows before movements in working capital	37,096,421	33,554,708
Decrease (increase) in inventories	54,142,885	(69,183,128)
(Increase) decrease in trade and other receivables	(41,472,062)	4,489,665
Increase in loan receivables	(69,821,110)	—
(Decrease) increase in trade and other payables	(53,549,108)	65,581,064
Increase in biological assets	(13,954,682)	(6,972,991)
Cash (used in) generated from operating activities	(87,557,656)	27,469,318
Hong Kong Profits tax paid, net	(8,145,217)	(147,711)
Net cash (used in) generated from operating activities	(95,702,873)	27,321,607
Investing activities		
Bank interest received	29,394	278
Interest received	158,381	—
Purchase of an investment property	(702,264)	(742,500)
Purchase of property, plant and equipment	(27,270,979)	(15,843,001)
Proceeds from sale of property, plant and equipment	694,953	—
Net cash flow from acquisition of a subsidiary	(62,068,998)	—
Net cash used in investing activities	(89,159,513)	(16,585,223)

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Financing activities		
Dividend paid	(8,257,760)	(8,280,000)
Net proceeds from issue of warrants	203,180	—
Net proceeds from issue of new shares	62,680,208	118,969,721
Proceeds from issue of corporate bond	—	10,000,000
Proceeds from new bank borrowings	233,833,989	(72,141,906)
Proceeds of share option exercised	7,032,320	—
Repayments of bank borrowings	(162,116,756)	86,520,692
New auction loans raised	54,864,258	13,085,716
Repayments of auction loans	(63,570,972)	(31,914,896)
Inception of obligations under finance lease	570,000	—
Repayment of obligations under finance lease	(171,895)	—
Placement of pledged bank deposit	(12,528,800)	—
Withdrawal of pledged bank deposit	4,000,000	—
Interest paid	(3,344,758)	(1,586,169)
	<u>113,193,014</u>	<u>114,653,158</u>
Net cash generated from financing activities		
	<u>113,193,014</u>	<u>114,653,158</u>
Net (decrease) increase in cash and cash equivalents	(71,669,372)	125,389,542
Cash and cash equivalents at the beginning of the year	134,468,472	9,173,880
Effect of foreign exchange rate changes, net	(2,042,840)	(94,950)
	<u>60,756,260</u>	<u>134,468,472</u>
Cash and cash equivalents at the end of the year, representing by bank balances and cash		
	<u><u>60,756,260</u></u>	<u><u>134,468,472</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

1. GENERAL

The Company is a public limited company incorporated in Cayman Islands as an exempted company with limited liability and its shares have been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 24 August 2012. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its place of business is located at Unit 902, Harbour Centre, Tower 2, 8 Hok Cheung Street, Kowloon, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Group is principally engaged in the trading of fur skin, mink farming in Denmark and fur skins brokerage.

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

Application of new and revised HKFRSs (disclosure of a detailed list of new and revised HKFRSs)

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

HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosures of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
HK (IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, application of the above 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.

Amendments to HKFRS 7 disclosures — Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

- Recognised financial instruments that are set off in accordance with HKSA 32 Financial Instruments: Presentation; and
- Recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the amounts reported in the Group’s consolidated financial statements as the Group does not have any offsetting arrangements or any master netting agreements in place.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) Int — 12 Consolidation — Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investee has control over an investee.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) in respect of the Group's control in its investees under the new definition in the new and revised HKFRSs and concluded that the application of the new standard has no impact on the classification of investees currently reported in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

HKAS 1 (Amendments) — Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on the profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments ⁴
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011) (Amendments)	Investment Entities ¹
HKFRS 14	Regulatory Deferral Accounts ⁵
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions ²
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ¹
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets ¹
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ²
HK(IFRIC) — Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

² Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

⁴ Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

⁵ Effective for annual periods beginning on or after 1 January 2016.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement 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 reporting periods. All other debt investments and equity investments are measured at their fair values 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 liabilities 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 of financial liabilities attributable to changes in the financial liabilities' 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 was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, 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 effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’ Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management active have also been introduced.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group’s consolidated financial statements, as the Company is not an investment entity.

HKFRS 14 Regulatory Deferral Accounts

HKFRS 14 addresses the issues of financial reporting requirements for rate-regulated assets and liabilities (which are termed “regulatory deferral account balances”) that arises when an entity is subject to rate regulation. The directors anticipate that the application of HKFRS 14 will have no material impact on the Group’s consolidated financial statements.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contribution made by employees or third parties to defined benefits plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees’ periods of service using the projected until credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees’ periods of service.

The directors of the Company do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group’s consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specially, the amendments clarify the meaning of “currently” has a legally enforceable right of “set-off” and “simultaneous realisation and settlement”.

The directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group’s consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group’s consolidated financial statements.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Company do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Group’s consolidated financial statements as the Group does not have any derivatives that are subject to novation.

Annual Improvements to HKFRS 2010 - 2012 Cycle

The Annual Improvements to HKFRSs 2010 - 2012 Cycle includes a number of amendments to various HKFRSs which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of “vesting condition” and “market condition”, and (ii) add definitions for “performance condition” and “service condition” which were previously included within the definition of “vesting condition”. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision maker.

The amendments to the basis for conclusion of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel service to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRS 2010 - 2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRS 2011- 2013 Cycle

The Annual Improvements to HKFRSs 2011 Cycle will have material effect amendments to various HKFRSs which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of and accounted for in accordance with HKAS 39 or HKFRS 9 even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of HKAS 40; and
- (b) the transaction meets the definition of a business combination under HKFRS 3.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRS 2011 - 2013 Cycle will have a material effect on the Group's consolidated financial statements.

HK (IFRIC) — Int 21 Levies

HK (IFRIC) — Int 21 Levies addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

In addition, the requirements of Part 9, “Accounts and Audit”, of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company’s first financial year commencing after 3 March 2014 (that is, the Company’s financial year which began on 1 April 2014) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

3. REVENUE

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

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
Trading of fur skins	271,329,589	297,524,230
Mink farming	7,507,690	—
Fur skins brokerage	22,799,910	—
	<u>301,637,189</u>	<u>297,524,230</u>

Loyal Speed Limited (“Loyal Speed”), a wholly-owned subsidiary of the Group which engaged in fur skins brokerage, was acquired in May 2013, so no revenue was being contributed last year.

The mink farms were acquired in March 2013, no revenue was being contributed last year.

4. SEGMENT INFORMATION

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

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

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

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

For the year ended 31 March 2014

	Trading of fur skins HK\$	Fur skins brokerage HK\$	Mink farming HK\$	Total HK\$
TURNOVER	<u>271,329,589</u>	<u>22,799,910</u>	<u>7,507,690</u>	<u>301,637,189</u>
RESULTS				
Segment results	<u>39,540,058</u>	<u>22,799,910</u>	<u>(2,694,824)</u>	<u>59,645,144</u>
Other income				4,195,654
Change in fair value less costs to sell of biological assets	—	—	15,491,335	15,491,335
Unallocated corporate expenses				(34,810,946)
Finance costs				<u>(4,528,491)</u>
Profit before tax				39,992,696
Income tax expense				<u>(4,151,429)</u>
Profit for the year				<u><u>35,841,267</u></u>
	Trading of fur skins HK\$	Fur skins brokerage HK\$	Mink farming HK\$	Total HK\$
ASSETS				
Segment assets	144,437,930	182,197,862	67,782,511	394,418,303
Unallocated corporate assets				72,838,534
Total assets				<u><u>467,256,837</u></u>
LIABILITIES				
Segment liabilities	124,041,752	11,401,431	21,845,406	157,288,589
Unallocated corporate liabilities				38,496,794
Total liabilities				<u><u>195,785,383</u></u>
<i>Other information</i>				
	Trading of fur skins HK\$	Fur skins brokerage HK\$	Mink farming HK\$	Total HK\$
Additions of property, plant and equipment and investment property	3,162,193	—	24,811,050	27,973,243
Depreciation and amortisation	<u>477,417</u>	<u>9,464</u>	<u>2,496,489</u>	<u>2,983,370</u>

For the year ended 31 March 2013

	Trading of fur skins <i>HK\$</i>	Fur skins brokerage <i>HK\$</i>	Mink farming <i>HK\$</i>	Total <i>HK\$</i>
TURNOVER	297,524,230	—	—	297,524,230
RESULTS				
Segment results	47,725,406	—	—	47,725,406
Other income				298,943
Change in fair value less costs to sell of biological assets	—	—	199,872	199,872
Unallocated corporate expenses				(19,157,934)
Finance costs				(2,212,528)
Profit before tax				26,853,759
Income tax credit				271,943
Profit for the year				27,125,702

	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	138,942,672	—	23,722,332	162,665,004
Unallocated corporate assets				136,384,493
Total assets				299,049,497
LIABILITIES				
Segment liabilities	109,736,520	—	31,590	109,768,110
Unallocated corporate liabilities				18,256,288
Total liabilities				128,024,398

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 and investment property	41,251	—	16,544,250	16,585,501
Depreciation and amortisation	25,540	—	101,122	126,662

Segment profit represents the profits earned by each segment without allocation of central administration costs including directors' salaries, investment and other income, finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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

- all assets are allocated to reportable segments other than prepayment and deposit, cash and bank balances and deferred tax assets. 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 lease corporate bond, promissory note, tax payables and deferred tax liabilities. 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:

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Canada	2,086,204	—
The PRC	248,029,846	257,660,487
Europe	20,376,864	23,904,322
Russia	14,886,462	7,364,471
Hong Kong	16,257,813	8,594,950
	<u>301,637,189</u>	<u>297,524,230</u>

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

	Carrying amount of segment assets		Additions to property, plant and equipment and investment property	
	2014 <i>HK\$</i>	2013 <i>HK\$</i>	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Hong Kong	344,967,872	274,743,798	3,162,193	41,251
Denmark	122,288,965	24,305,699	24,811,050	16,544,250
	<u>467,256,837</u>	<u>299,049,497</u>	<u>27,973,243</u>	<u>16,585,501</u>

Information about major customers

Included in revenue arising from trading of fur skins, fur skins brokerage and mink farming of approximately HK\$301.6 million are revenue of approximately HK\$230.3 million generated from sales to the Group's top three customers. No other single customer contributed 10% or more to the Group's revenue for the year ended 31 March 2014.

Included in revenue arising from trading of fur skins of approximately HK\$297.5 million are revenue of approximately HK\$196.5 million generated from sales to the Group's top three customers. No other single customer contributed 10% or more to the Group's revenue for the year ended 31 March 2013.

5. PROFIT BEFORE TAX

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

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Auditor's remuneration	673,333	500,000
Cost of inventories recognised as expenses	240,116,928	249,442,480
Staff Costs (including directors' remuneration)	10,909,744	3,457,081
Depreciation	2,983,370	126,662
Foreign exchange (gains) losses, net	(2,817,861)	5,661
Gross rental income from investment properties	(191,856)	(6,783)
Less:		
Direct operating expenses incurred for investment properties that generated rental income during the year	76,723	—
Direct operating expenses incurred for investment properties that did not generated rental income during the year	—	—
	<u>(115,133)</u>	<u>(6,783)</u>
Impairment loss on other receivables	8,400	—
Loss on disposal of property, plant and equipment	764,877	—
Operating lease payments	572,529	360,432
Share-based payment expenses	3,052,670	4,561,909
Written down of inventories	1,453,427	—
	<u><u>1,453,427</u></u>	<u><u>—</u></u>

6. INCOME TAX EXPENSE (CREDIT)

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Current tax		
Hong Kong Profits Tax	3,555,846	240,120
Other jurisdictions	—	—
	<u>3,555,846</u>	<u>240,120</u>
Over provision in prior years		
Hong Kong Profits Tax	(22,001)	(12,000)
Other jurisdictions	—	—
	<u>(22,001)</u>	<u>(12,000)</u>
Deferred tax expense (credit)		
Current year	617,584	(500,063)
	<u>617,584</u>	<u>(500,063)</u>
Total income tax expense (credit) for the years	<u><u>4,151,429</u></u>	<u><u>(271,943)</u></u>

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

Denmark subsidiary is subject to Denmark Corporation Tax at 24.5% for this year (2013: 25%).

The tax expense (credit) for the years can be reconciled to the profits before tax as per follows:

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Profit before tax	<u>39,992,696</u>	<u>26,853,759</u>
Tax at Hong Kong Profits Tax of 16.5%	6,598,795	4,430,870
Tax effect of income not taxable for tax purposes	(3,811,839)	(6,279,018)
Tax effect of expenses not deductible for tax purposes	503,748	1,457,741
Tax effect on tax losses not recognised	1,310,714	174,116
Over provision in prior years	(22,001)	(12,000)
Effect of different tax rates of group entities operating in other jurisdictions	<u>(427,988)</u>	<u>(43,652)</u>
Income tax expense (credit) for the years	<u><u>4,151,429</u></u>	<u><u>(271,943)</u></u>

7. DIVIDENDS

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Interim, paid -HK nil cent (2013: HK nil cent) per share	—	—
Final dividend paid -HK 0.7 cents per share for 2013 (2013: HK\$828 per share for 2012)	<u>8,257,760</u>	<u>8,280,000</u>
	<u><u>8,257,760</u></u>	<u><u>8,280,000</u></u>

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 March 2014 of HK0.3 cents (2013: HK0.7 cents) per share have been proposed by the Directors and is subject to approval by the shareholders in the coming general meeting.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to shareholders of the Company is based on the profit attributable to shareholders of the Company for the year ended 31 March 2014 of HK\$35,841,267 (2013: HK\$27,125,702) and the following data:

	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,569,067,660	1,053,369,863
Effect of dilutive potential ordinary shares:		
Share options	26,182,157	13,110,550
Warrants	<u>8,640,970</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>1,603,890,787</u></u>	<u><u>1,066,480,413</u></u>

9. BIOLOGICAL ASSETS

Movements of the biological assets are as follows:

	Non-mated females <i>HK\$</i>	Mated females <i>HK\$</i>	Males for breeding <i>HK\$</i>	Total <i>HK\$</i>
As at 1 April 2012	—	—	—	—
Increase due to purchase	—	5,407,100	1,474,254	6,881,354
Increase due to raising (Feeding cost and others)	—	74,612	17,025	91,637
Change in fair value less costs to sell	—	434,301	(234,429)	199,872
Transferred to inventory	—	(33,755)	(1,237,299)	(1,271,054)
Decrease due to sale	—	—	—	—
Exchange alignment	—	88,455	294	88,749
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2013 and 1 April 2013	—	5,970,713	19,845	5,990,558
Increase due to purchase	—	4,934,860	177,100	5,111,960
Increase due to raising (Feeding cost and others)	18,198	5,282,304	3,889,561	9,190,063
Change in fair value less costs to sell	39,790	4,548,286	10,903,259	15,491,335
Transferred to inventory	—	(7,012,740)	(14,929,852)	(21,942,592)
Decrease due to sale	—	(347,340)	—	(347,340)
Exchange alignment	1,242	512,507	2,034	515,783
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2014	<u>59,230</u>	<u>13,888,590</u>	<u>61,947</u>	<u>14,009,767</u>

The number of biological assets is as follows:

	2014	2013
Non-mated females	109	—
Mated females	14,942	5,897
Males for breeding	114	21
	<hr/>	<hr/>
At the end of the year	<u>15,165</u>	<u>5,918</u>

Analysed for reporting purposes as follows:

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Current assets	14,009,767	5,990,558
Non-current assets	—	—
	<hr/>	<hr/>
At the end of the year	<u>14,009,767</u>	<u>5,990,558</u>

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

The fair value of the biological assets 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 2014 (the "Valuation Date"). The professional valuers in charge of this valuation have appropriate qualifications and relevant experience in various appraisal assignments involving biological assets and agricultural produce. The professional valuers involved in this valuation include a professional member of the Royal Institution of Chartered Surveyors (MRICS) and of the Hong Kong Institute of Surveyors (MHKIS) and have appraisal experience in a broad range of assets such as property assets, industrial assets, biological assets, mining rights and assets, technological assets and financial assets in the PRC, Hong Kong, Europe and abroad. They have previously participated in the valuation of biological assets and agricultural produce such as hogs, vegetables, fruits, grains and landscaping plants.

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

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

Valuation methodology of biological assets

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

Valuation of mated females

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

Valuation of non-mated females and males

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

Prices and costs of the Biological Assets

Based on the February 2014 auctions of Copenhagen Fur, the average prices for male, female and total furs were DKK408*, DKK274 and DKK341 per unit respectively. Pelting and sales fee reflect incremental costs to sell for livestock and are deducted from the assessed fair value. Estimation of costs per unit provided by the Management are presented below:

	<i>DKK</i>
Feed	120
Salary	108
Other variable cost (<i>Note 1</i>)	10
Lower value of male breeders (<i>Note 2</i>)	30
Pelting	30
Sales fee	9
Surplus from Copenhagen Fur (<i>Note 3</i>)	3-5%

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

*: DKK stand for Danish Kroner

Major inputs

The major inputs for the above models are discount rate, average skins price and birth rate. The discount rate applied for the valuation as at the Valuation Date is 12.06%. The average skins price applied for mated females, mated males and non-mated females are DKK359, DKK391 and DKK391 respectively. The birth rate applied for mated females are 6.

Valuation assumptions

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

- (a) The expected costs to sell the biological assets reflect the best estimates of the Management and are reasonable, reflecting market conditions and economic fundamentals and will be materialised.
- (b) The biological assets are properly managed with necessary care and are receiving proper veterinary care to ensure their normal growth;
- (c) There will be no force majeure, including natural disasters that could adversely impact the condition of the biological assets;
- (d) The biological assets are free from any diseases such that will lead to death or materially impair the expected economic benefit from the disposal of the biological assets;
- (e) The biological assets are assumed to be free from any liabilities or encumbrances that would affect their value;
- (f) 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;
- (g) Market trends and conditions where the business enterprise operates will not deviate significantly from the economic forecasts in general;

- (h) The availability of finance will not be a constraint on the forecast growth of the biological assets;
- (i) Key management, competent personnel and technical staff will all be retained to support the ongoing operations of the business enterprise;
- (j) There will be no material changes in the business enterprise's business strategy and its operating structure;
- (k) The business enterprise shall have uninterrupted rights to operate its existing business during the unexpired term of its authorized operating period;
- (l) Interest rates and exchange rates in the localities for the operation of the business enterprise will not differ materially from those presently prevailing;
- (m) 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
- (n) 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 changes in fair values of biological assets. The following table illustrates the sensitivity of the Group net change in fair value of biological assets to increase or decrease 5% in the discount rate applied by the Valuer for the year ended 31 March 2014.

	+5% <i>DKK</i>	Base case <i>DKK</i>	+5% <i>HK\$</i>	Base case <i>HK\$</i>
Net change in fair value less costs to sell	<u>(597,680)</u>	<u>9,797,040</u>	<u>(854,682)</u>	<u>14,009,767</u>
	-5% <i>DKK</i>	Base case <i>DKK</i>	-5% <i>HK\$</i>	Base case <i>HK\$</i>
Net change in fair value less costs to sell	<u>747,100</u>	<u>9,797,040</u>	<u>1,068,353</u>	<u>14,009,767</u>

Change in the average skins price applied resulted in significant fluctuations in the changes in fair values of biological assets. The following table illustrates the sensitivity of the Group net change in fair value of biological assets to increase or decrease by 5% in the average skins price applied by the Valuer for the year ended 31 March 2014.

	+/-5% <i>DKK</i>	Base case <i>DKK</i>	+/-5% <i>HK\$</i>	Base case <i>HK\$</i>
Net change in fair value less costs to sell	<u>+/-2,395,180</u>	<u>9,797,040</u>	<u>+/-3,425,107</u>	<u>14,009,767</u>

Change in the average skins price applied resulted in significant fluctuations in the changes in fair values of biological assets. The following table illustrates the sensitivity of the Group net change in fair value of biological assets to increase to 7 or decrease to 5 in the birth rate applied by the Valuer for the year ended 31 March 2014.

	Increase to 7 DKK	Base case DKK	Increase to 7 HK\$	Base case HK\$
Net change in fair value less costs to sell	<u>2,091,880</u>	<u>9,797,040</u>	<u>2,991,388</u>	<u>14,009,767</u>
	Decrease to 5 DKK	Base case DKK	Decrease to 5 HK\$	Base case HK\$
Net change in fair value less costs to sell	<u>(2,091,880)</u>	<u>9,797,040</u>	<u>(2,991,388)</u>	<u>14,009,767</u>

10. TRADE AND OTHER RECEIVABLES

	2014 HK\$	2013 HK\$
Trade receivables	101,427,009	51,253,885
Less: impairment loss on trade receivables	<u>—</u>	<u>—</u>
	101,427,009	51,253,885
Other receivables:		
Auction Deposit	2,312,473	—
Feed deposit	380,869	—
Prepayment	383,858	757,566
Rental deposit	152,631	102,799
Utilities deposit	33,600	26,000
Others	290,043	470,776
	<u>104,980,483</u>	<u>52,611,026</u>

The Group allows a credit period ranging from 0 day to 120 days to its trade customers. The aging analysis of the Group's trade receivables, net of allowance for doubtful debts based on invoice date as at 31 March 2014 and 2013 were as follows:

	2014 HK\$	2013 HK\$
0 - 60 days	75,169,520	44,964,541
61 - 90 days	13,339,649	4,027,597
91 - 120 days	12,917,840	—
Over 120 days	<u>—</u>	<u>2,261,747</u>
	<u>101,427,009</u>	<u>51,253,885</u>

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

As at 16 May 2014, approximately HK\$13,292,000 of trade receivables had been settled.

Trade receivables disclosed above include amounts which are past due at 31 March 2014 and 2013 for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owned by the Group to the counterparty.

The following is an aging analysis of the Group's trade receivables that are past due but not impaired at 31 March 2014 and 2013.

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Trade receivables overdue by:		
0 - 60 days	381,084	2,385,373
61 - 90 days	—	—
91 - 120 days	—	—
Over 120 days	—	—
	<u>381,084</u>	<u>2,385,373</u>

11. LOAN RECEIVABLES

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Loans to customers	96,842,633	—
Accrued interest receivables	9,899,497	—
	<u>106,742,130</u>	—
Less: impairment loss on individual assessment	—	—
	<u>106,742,130</u>	—

The Group offered a credit period of 180 days from the advancement to its customers with the range of interest rate from 12% to 18% per annum. The Group maintains strict control over its outstanding loans to minimise credit risk. Overdue balance is reviewed regularly by management.

The following is an aging analysis of the Group's loan receivables by age, presented based on the invoice date and net of allowance for doubtful debts at 31 March 2014 and 2013:

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
0 - 60 days	—	—
61 - 90 days	—	—
91 - 180 days	21,497,768	—
Over 180 days	75,344,865	—
	<u>96,842,633</u>	—

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

As at 22 May 2014, approximately HK\$48,117,000 of loans receivables had been settled.

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

The following is an aging analysis of the Group's trade receivables that are past due but not impaired at 31 March 2014 and 2013.

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
0 - 60 days	6,450,195	—
61 - 90 days	68,894,670	—
91 - 180 days	—	—
Over 180 days	—	—
	<u>75,344,865</u>	<u>—</u>

12. TRADE AND OTHER PAYABLES

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Trade payables:	32,070,051	78,080,621
Other payables:		
Accruals	1,301,211	560,298
Accrued audit fee	680,000	500,000
Accrued auction interest	—	397,194
Accrued bond interest	229,165	229,165
Accrued rental expenses	25,812	—
Accrued wages and pension	614,266	—
Rental deposit	11,400	31,590
Receipt in advance	20,272,230	—
	<u>55,204,135</u>	<u>79,798,868</u>

Receipt in advance included approximately HK\$15,350,000 was interest bearing. The amounts will be charged at interest rates ranging from 2.59% to 3.37% per annum.

The Group normally settles the outstandings due to trade payables within 21 days credit term. Based on the invoice date, aging analysis of trade payables as at 31 March 2014 and 2013 were as follows.

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
0 - 60 days	32,070,051	50,313,314
61 - 90 days	—	—
91 - 120 days	—	26,107,969
Over 120 days	—	1,659,338
	<u>32,070,051</u>	<u>78,080,621</u>

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

13. SHARE CAPITAL

	<i>Notes</i>	Number of ordinary shares of HK\$0.01 each	Number of ordinary shares of HK\$0.1 each	<i>HK\$</i>
Authorised:				
At 1 April 2012		—	250,000,000	25,000,000
Subdivided into 10 shares of par value of HK\$0.01 each		2,500,000,000	(250,000,000)	—
At 31 March 2013, 1 April 2013 and 31 March 2014		<u>2,500,000,000</u>	<u>—</u>	<u>25,000,000</u>
Issued and fully paid:				
At 1 April 2012			72,000,000	7,200,000
Subdivided into 10 shares of par value of HK\$0.01 each		720,000,000	(72,000,000)	—
Issue of shares upon listing		240,000,000	—	2,400,000
Issue of shares by placing for cash		192,000,000	—	1,920,000
At 31 March 2013 and 1 April 2013		1,152,000,000	—	11,520,000
Issue of share upon bonus issue	<i>(a)</i>	235,936,000	—	2,359,360
Exercise of Pre-IPO share options	<i>(b)</i>	33,440,000	—	334,400
Issue of shares by placing for cash	<i>(c)</i>	230,400,000	—	2,304,000
At 31 March 2014		<u>1,651,776,000</u>	<u>—</u>	<u>16,517,760</u>

During the year, the movements in the Company's share capital are as follows:

- (a) The Board proposed a bonus issue on the basis of one bonus share for every five existing shares held by the members whose names were on the register of members of the Company on 5 July 2013 (the "Bonus Issue"). The proposed Bonus Issue was approved by the members at the annual general meeting of the Company held on 28 June 2013. A total of 235,936,000 bonus shares of HK\$0.01 each were issued by way of the Bonus Issue on 15 July 2013.
- (b) During the year, 33,440,000 new ordinary shares of HK\$0.01 each were issued on exercise of 33,400,000 share options ("Pre-IPO Share Options") under the Pre-IPO Share Option Scheme of the Company (the "Pre-IPO Share Option Scheme") at an aggregate consideration of HK\$7,032,320, of which HK\$334,400 was credited to share capital and the remaining balance of HK\$6,697,920 was credited to the share premium account. In addition, an amount attributable to the related Pre-IPO share options of HK\$2,800,105 has been transferred from share option reserve to the share premium account.
- (c) On 24 July 2013, the Company issued and allotted 230,400,000 new ordinary shares of HK\$0.01 each pursuant to the placing at a price of HK\$0.28 each as a result of the top-up placing and subscription.

14. ACQUISITION OF A SUBSIDIARY

On 13 May 2013, Trade Region Limited, the direct wholly owned subsidiary of the Company had acquired the entire issued share capital of Loyal Speed at a total consideration of HK\$91,000,000, HK\$71,000,000 of which was satisfied by cash, whereas HK\$20,000,000 of which was satisfied by issuance of the promissory note, whose the fair value was HK\$17,620,146 as at the issue date. The transaction has been accounted for by the acquisition method of accounting.

Loyal Speed is engaged in the provision of brokerage and financing services of fur skins.

The consideration was satisfied in cash and promissory note as stated below:

	<i>HK\$</i>
Cash consideration	71,000,000
Promissory note at fair value	17,620,146
	<hr/>
	88,620,146
	<hr/> <hr/>

Acquisition-related costs amounting to approximately HK\$780,731 have been excluded from the costs of acquisition and are recognised directly as expenses when they are incurred.

Details of the fair value of net assets of Loyal Speed as at the date of acquisition are as follows:

	<i>HK\$</i>
Property, plant and equipment	32,054
Trade and other receivables	47,818,415
Cash and other receivables	8,931,002
Trade and other payables	(28,725,210)
Auction loans	(8,706,714)
Tax payable	(6,157,561)
Deferred tax liability	(4,982)
	<hr/>
Total identifiable net assets	13,187,004
Total consideration	88,620,146
	<hr/>
Goodwill arising from acquisition	75,433,142
	<hr/> <hr/>

Goodwill arose in the business combination because the cost of combination included amount in relation to the benefits of revenue growth and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured. None of the goodwill recognised is expected to be deductible for income tax purposes.

During the year, no impairment loss in respect of goodwill is recognised.

Net cash outflow arising on acquisition:

	<i>HK\$</i>
Consideration paid in cash	(71,000,000)
Less: cash and cash equivalent balance acquired	<u>8,931,002</u>
	<u><u>(62,068,998)</u></u>

For the period between the date of acquisition and 31 March 2014, Loyal Speed contributed HK\$22,799,910 to the Group's consolidated turnover and profit of HK\$9,140,820 to the Group's profit for the year in consolidated statement of profit or loss and other comprehensive income.

15. CAPITAL COMMITMENTS

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Capital expenditure in respect of the acquisition of property, plant and equipment:		
Contracted but not provided for	—	396,500
Authorised for but not contracted for	<u>—</u>	<u>—</u>
	<u><u>—</u></u>	<u><u>396,500</u></u>

16. CONTINGENT LIABILITIES

As 31 March 2014, the Company has granted a corporate guarantee to secure general banking facilities which is available to U.K. Fur Limited and Loyal Speed. According to the banking facilities, up to HK\$173 million (2013: HK\$50 million) is granted to U.K. Fur Limited while up to HK\$8 million (2013: HK\$nil) is granted to Loyal Speed.

17. EVENT AFTER THE REPORTING PERIOD

The Board has proposed to make a bonus issue of one new share credited as fully paid for every five shares held by shareholders whose names appear on the register of members on 25 July 2014. The relevant resolution will be proposed at the forthcoming annual general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded satisfactory results for its fur trade business and fur skins brokerage business with a matching growth in customer base for the year ended 31 March 2014. During the eight months period from 1 April 2013 to 30 November 2013, the trading prices for minks and foxes were high and the fur market was in a boom as a result.

This high price was attributable to designers of top tier luxury brands incorporating fur into their design collections. This new usage of fur in the fashion industry set the trend for high fashion and quality fur skins were highly sought after. Apart from extravagant full-length coats, designers of top luxury brands such as Saint Laurent and Fendi had also set a new fashion trend by incorporating fur into accessories and handbags, many designers were inspired to follow suit.

Throughout the four months period between 1 December 2013 and 31 March 2014, a warm winter made retail sales not so good as previous year in China and Russia. However, the level of fur retail sales worldwide had not been impaired during the period and the sales proved the high status of fur in the fashion industry. The large volume of production of mink skins from China, Greece and Eastern Europe drove down the price for mink skins in the first three auctions held in Copenhagen, Helsinki and Toronto in the year.

The Hong Kong International Fur Fair, which was held from 25-28 February 2014 in Hong Kong, provided a platform for furriers to explore new market opportunities for the export of mink, fox, and fur trimmed garments. As the prices for mink and fox skins became more affordable, the furriers were able to export the fur skins to western countries along with Japan and Korea.

Financial Review

Turnover

The Group's turnover for the year ended 31 March 2014 was approximately HK\$301.6 million, representing an increase of approximately 1.4% from approximately HK\$297.5 million for the year ended 31 March 2013. The increase in the turnover was mainly attributable to the newly acquired business, namely (i) fur skin brokerage and relevant financing services and (ii) mink farming, which together outweighed the decrease in the turnover in fur skins trading due to decrease in prices of fur skins.

Cost of sales

The cost of sales amounted to approximately HK\$242.0 million for the year ended 31 March 2014, representing a decrease of approximately 3.1% from approximately HK\$249.8 million for the year ended 31 March 2013. The decrease in the cost of sales was mainly attributable to the decrease in sales of fur skins for the year ended 31 March 2014 as compared with the year ended 31 March in 2013.

Gross profit and gross profit margin

The gross profit of the Group was approximately HK\$59.6 million for the year ended 31 March 2014, representing an increase of approximately 25.0% from HK\$47.7 million for the year ended 31 March 2013. The Group recorded a gross profit margin of approximately 19.8% for the year ended 31 March 2014, which increased from approximately 16.0% for the year ended 31 March 2013. The increase in gross profit and gross profit margin was primarily due to the higher gross profit and gross profit margin generated from the newly acquired fur skin brokerage and relevant financing services.

Administrative expenses

The administrative expenses of the Group significantly increased by 81.7% from approximately HK\$19.2 million for the year ended 31 March 2013 to approximately HK\$34.8 million for the year ended 31 March 2014. The increase in the administrative expenses was primarily due to the depreciation, professional fee, staff salaries and farms operating cost relating to the acquisition of Loyal Speed and mink farms during the year.

Finance costs

The finance costs of the Group significantly increased by 104.7% from approximately HK\$2.2 million for the year ended 31 March 2013 to approximately HK\$4.5 million for the year ended 31 March 2014. The increase was primarily due to the increase in trust receipt loan interest, term loan interest, corporate bond interest and imputed interest on promissory note. As at 31 March 2014, the Group obtained banking facilities up to HK\$181 million; therefore, the trust receipt loan interest and term loan interest increased significantly. Further as the Group issued a corporate bond in an aggregate principal amount of HK\$10 million at the interest rate of 5.5% per annum for 7 years in November 2012. As part of consideration for the acquisition of Loyal Speed on 13 May 2013, the Group issued a promissory note in an aggregate principal amount of HK\$20 million and imputed interest was therefore incurred. The fair value of the promissory note was HK\$17,620,146 at the effective interest rate of 6.54% per annum.

Liquidity, Financial Resources and Capital Structure

The Group generally finances its operations with internally generated cash flow, bank borrowings and corporate bond. The Group maintained bank balances and cash of approximately HK\$60.8 million as at 31 March 2014 (2013: approximately HK\$134.5 million). The net assets of the Group as at 31 March 2014 were HK\$271.5 million (2013: approximately HK\$171.0 million).

On 16 July 2013, the Group issued warrants to subscribe for a maximum of 114,000,000 shares at the exercise price of HK\$0.32 per share within 1 year commencing from that day. The details of the warrants have been disclosed in the announcement and circular of the Company dated 26 May 2013 and 13 June 2013 respectively. The net proceeds to be raised from the issue of shares underlying the warrants were intended to be used as general working capital, mainly for its newly acquired business, including the mink farms in Denmark and the provision of finance for its fur skin brokerage customers. As at 31 March 2014, no warrants have been exercised.

On 24 July 2013, the Group had allotted and issued 230,400,000 shares at HK\$0.28 per share with net proceeds of approximately HK\$62.7 million as a result of the top-up placing and subscription, the details of which had been disclosed in the announcement dated 15 July 2013. The net proceeds were used for general working capital and to fund the potential acquisition of other businesses relating to the principal business of the Group.

As at 31 March 2014, the Group had bank borrowings, which comprised trust receipt loans and term loans of approximately HK\$84.6 million and approximately HK\$18.7 million respectively to finance its purchases of fur skins and general working capital. The Group has also obtained banking facilities of up to HK\$181 million with (i) all monies charge on cash deposit of HK\$8.5 million, (ii) corporate guarantees provided by the Company and (iii) the requirements that the net external gearing ratio shall not be more than 150% and the net assets 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 approximately 48.8% as at 31 March 2014 (2013: approximately 24.4%).

The Directors consider that the Group can meet the conditions of the banking facilities for the year ended 31 March 2014 and in the future.

Pledge of Assets

As at 31 March 2014, the Group pledged cash deposits of approximately HK\$8.5 million to secure general banking facilities. (2013: HK\$Nil).

Capital Commitments

As at 31 March 2014, the Group did not have any significant capital commitments (2013: approximately HK\$0.4 million).

Contingent Liabilities

As at 31 March 2014, the Group granted corporate guarantees to secure general banking facilities up to HK\$181 million. (2013: HK\$50 million).

Material Acquisitions or Disposals and Significant Investments

On 6 March 2013, Trade Region Limited, a direct wholly owned subsidiary of the Company, entered into the sale and purchase agreement (the “SPA”) as a purchaser to acquire the entire issued share capital of Loyal Speed in the total consideration of HK\$91,000,000. As at the date of the SPA, Loyal Speed focused on (i) buying raw fur skins from two auction houses for and on behalf of its customers including fur skins buyers or fur skins dealers to earn commission; and (ii) providing finance for its fur skins brokerage customers for settlement of their purchases of fur skins from these two auction houses to earn interests. The Directors considered that businesses of Loyal Speed would complement the Group’s fur skins trading business and enlarge its customer base which would be beneficial to its long-term growth. The transactions contemplated under the SPA were approved at the extraordinary general meeting on 9 May 2013 and completed on 13 May 2013.

Pursuant to the SPA, Cheer Dragon International Limited (the “Vendor”) guaranteed that the net profit (after tax and deducting extraordinary items) of Loyal Speed for the year ended 31 March 2013 would not be less than HK\$14 million (the “2013 Guaranteed Profit”) and the sum of all receivables (other than prepayments) of Loyal Speed as at 31 March 2013 (the “2013 Aggregate Receivables”) would be collected by 30 September 2013 (the “Receivables Guarantee”).

Pursuant to the SPA, Mr. Ching Kwok Ho (the “Guarantor”) guaranteed that the net profit (after tax and deducting extraordinary items) of Loyal Speed for the year ended 31 March 2014 would not be less than HK\$14 million (the “2014 Guaranteed Profit”).

The net profit (after tax and deducting extraordinary items) of Loyal Speed as shown in the audited financial statements for the year ended 31 March 2013 and 2014 were approximately HK\$14.9 million and HK\$14.2 million respectively. Accordingly, the 2013 Guaranteed Profit and the 2014 Guaranteed Profit have been achieved. Further the 2013 Aggregated Receivables had been collected by 30 September 2013.

Pursuant to the announcement dated 10 May 2013, UKF (Denmark) A/S, an indirect wholly owned subsidiary of the Company, entered into an acquisition agreement on 8 May 2013 as a purchaser with an independent farm owner in respect of acquisition of a mink farm located in Denmark by consideration at DKK11,130,000 (equivalent to approximately HK\$15,915,900).

Pursuant to the announcement dated 2 November 2013, UKF (Denmark) A/S, an indirect wholly owned subsidiary of the Company, entered into an acquisition agreement on 2 November 2013 as purchaser with an independent farm owner in respect of acquisition of a mink farm located in Denmark by consideration at DKK7,400,000 (equivalent to approximately HK\$10,582,000).

Future Plans For Material Investments or Capital Assets and Expected Sources of Funding

Save as disclosed under “Comparison of Future Plans and Prospects with Actual Business Progress” in this announcement, the Group did not have any specific plan for material investment or capital assets as at 31 March 2014.

Employee Information

As at 31 March 2014, the Group had a total of 28 staff members including Directors (2013: 12). Staff costs including Director’s remuneration amounted to approximately HK\$10.8 million for the year ended 31 March 2014 (2013: approximately HK\$3.4 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 and share option scheme, both of which had been approved by the then sole shareholder of Company on 1 August 2012.

Risk Management

Credit Risk

Credit risk exposure represents trade receivables from customers which principally arise 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 adequate impairment losses are made for irrecoverable amounts. In this regard, the Board of Directors considers that the Group’s credit risk is significantly reduced.

The Company has no significant concentration of credit risk, with exposure spreading over a large number of counterparties and customers.

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 United States dollars (“US\$”) and Danish Kroner (“DKK”). The sales and purchases transactions of the Group have been exposed to the foreign currency risk.

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure of foreign currency risk. During the year under review, the management of the Group did not consider it necessary to use foreign currency hedging policy as the Group's assets and liabilities denominated in currencies other than the functional currency of the entity to which they related are short term foreign currency cash flows. As the HK\$ is pegged to the US\$, the Group considers the risk of fluctuations in exchange rates between the HK\$ and the US\$ to be insignificant.

During the year under review, management of the Group did not consider it necessary to use foreign currency forward contracts to hedge the exposure to foreign currency risk due to the operation of the overseas subsidiary in Denmark, as the exchange rate of DKK was relatively stable.

Comparison of Future Plans and Prospects With Actual Business Progress

An analysis comparing the future plans and prospects as contained in the prospectus of the Company dated 15 August 2012 ("Prospectus") with the Group's actual business progress for the period from 6 August 2012, being the latest practicable date as defined in the Prospectus, to 31 March 2014 (the "Relevant Period") is set out below:

	Future plans and prospects	Actual business progress during the Relevant Period
Expand customer network	Participate in the fur exhibitions and fairs to be held in Beijing and Hong Kong. Place advertisements on fur magazine to promote the business of the Group	The Group has participated in the fur exhibitions and fairs held in Hong Kong in February 2013 and 2014. It also has placed advertisements on fur magazine to promote the business of the Group
Enhance ability to purchase more fur skins from the Kopenhagen Fur ("KF") and Saga Furs Oyj ("Saga")	Deploy more resources in sourcing fur skins in KF and Saga	The Group sourced more fur skins at favourable price in KF and Saga in September and December 2012, and February 2013 respectively
Strengthen the source of procurement by purchasing fur skins from two additional auction houses in Canada and the United States	Participate in the auctions to held by North American Fur Auction ("NAFA") in Canada and American Legend Cooperative ("ALC") in the United States	The Group has commenced purchases of fur skins in NAFA, Canada since September 2012
Enhance the technical skills of the staff	Arrange staff to enroll and attend the course on selecting sorting and distinguishing fur skins offered by Saga and KF	The Group has arranged staff members to attend courses offered by Saga and KF
Expand the business of the Group through acquisition or cooperation	Acquire or cooperate with other fur companies to further expand the business of the Group	The Group has applied HK\$7.1 million from the placing of 240,000,000 Shares on 24 August 2012 ("IPO Placing") to partly settle the total consideration of HK\$91.0 million for acquisition of the entire issue capital of Loyal Speed

The net proceeds from the IPO Placing were approximately HK\$47.4 million, which was based on the final placing price of HK\$0.26 per share and the actual expenses related to the listing. Accordingly, the Group adjusted the use of proceeds in the same manner and proportion as shown in the Prospectus.

During the period from the date of listing (i.e. 24 August 2012) to 31 March 2014, the net proceeds from the IPO Placing had been applied as follows:

	Adjusted use of proceeds in the same manner and proportion as shown in the Prospectus <i>HK\$ million</i>	Actual use of proceeds <i>HK\$ million</i>
Expand customer network	0.9	0.9
Enhance ability to purchase more fur skins from the Auction Houses	27.9	27.9
Strengthen the source of procurement by purchasing fur skins from two addition auction houses in Canada and the United States	8.0	8.0
Enhance the technical skills of the staff	0.4	0.4
Expand the business of the Group through acquisition or cooperation	7.1	7.1
General working capital	3.1	3.1
	<u>47.4</u>	<u>47.4</u>

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2014.

ADVANCES TO THE ENTITIES

Pursuant to the Rules 17.15 and 17.17 of the GEM 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 19.07(1) of the GEM Listing Rules. As at 31 March 2014, the total assets of the Group were approximately HK\$467.3 million.

As at 31 March 2014, Loyal Speed Limited, an indirect wholly owned subsidiary of the Company, had advances to two fur brokerage customers, namely Fur Supply (China) Limited (the "FSC Loans") and Modern Fur Company Limited (the "MF Loans") to finance their purchase of fur skins from the auction houses.

The table below sets out the details of the FSC Loans and MF Loans as at 31 March 2014:

	FSC Loans	MF Loans
Amount due to the Group	HK\$75,451,046	HK\$21,391,587
Credit Term	180 days	180 days
Interest Rate	1.2% per month if the repayment is made within the first 90 days of the credit period; 1.5% per month if the repayment is made after the first 90 days of the credit period	12% per annum if the repayment is made within the first 120 days of the credit period; 14.4% per annum if the repayment is made after the first 120 days of the credit period
Collateral	The fur skins purchased with the relevant part of the FSC Loan	The fur skins purchased with the relevant part of the MF Loan

DIRECTORS' INTERESTS IN CONTRACT

A sale and purchase agreement dated 6 March 2013 was entered into between Cheer Dragon International Limited as vendor (the "Vendor"), Trade Region Limited as purchaser (the "Purchaser"), Loyal Speed and Mr. Ching as guarantor in relation to the acquisition of the entire issued share capital of Loyal Speed. Mr. Wong Chun Chau, an executive Director and a controlling shareholder of the Company, is the beneficial owner of 8% of issued shares of the Vendor, whereas the Purchaser is a direct wholly owned subsidiary of the Company. The acquisition under the sale and purchase agreement was completed on 13 May 2013.

Save for the sale and purchase agreement as disclosed in note 14 of the consolidated financial statements on this announcement, no contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a Director or his/her associates had a material interest, whether directly or indirectly, and no contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries subsisted at the end of the year or at any time during the year ended 31 March 2014.

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 2014.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2014, the interests and short positions of the Directors and the chief executives of the Company in the shares of the Company, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO") which (i) are 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) have to be notified to the Company and the Stock Exchange pursuant to the Required Standards of Dealing are as follows:

(A) Interests in the Company — Long position in Shares

Name	Nature of Interest	Number of Shares	Approximate Percentage of Shareholding in the Company
Mr. WONG Chun Chau (Note 1)	Interest of controlled corporation	870,300,000	52.69%
	Beneficial owner	19,680,000	1.19%
Ms. KWOK Yin Ning	Beneficial owner	12,960,000	0.78%
Mr. Jean-pierre PHILIPPE (Note 2)	Interest of controlled corporation	1,620,000	0.10%

Note 1: Under the SFO, Mr. Wong is deemed to be interested in 870,300,000 Shares which are held by Trader Global Investments Limited, a company wholly owned by Mr. Wong.

Note 2: Under the SFO, Mr. Philippe is deemed to be interested in 1,620,000 Shares which are held by Aglades Investment Pte Limited, a company wholly owned Mr. Philippe.

(B) Interests in the Company — Long position in underlying Shares or equity derivatives of the Company

Name	Nature of Interest	Share Options	Approximate Percentage of Shareholding in the Company	Approximate Percentage of Shareholding in the Company assuming all the options granted under the Share Option Scheme were exercised
Mr. WONG Chun Chau	Beneficial owner	36,346,000	2.20%	2.11%
Ms. KWOK Yin Ning	Beneficial owner	15,840,000	0.96%	0.92%

(C) Interests in the Associated Corporation — Long position in Shares Trader Global Investments Limited (Note 2)

Name	Nature of Interest	Number of Shares	Approximate Percentage of Shareholding in the Associated Corporation
Mr. WONG Chun Chau	Beneficial owner	1	100%

Note:

1. Under the SFO, Mr. Wong is deemed to be interested in 870,300,000 Shares which are held by Trader Global Investments Limited, a company wholly owned by Mr. Wong.
2. Trader Global Investments Limited is the ultimate holding company of the Company.

Save as disclosed above, as at 31 March 2014, neither of the Directors nor the chief executives of the Company had interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) are 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) have to be notified to the Company and the Stock Exchange pursuant to the Required Standards of Dealing.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2014, according to the register of interests kept by the Company under Section 336 of the SFO, the following parties (in addition to those disclosed above in respect of the Directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision in Division 2 and 3 of Part XV of the SFO:

Long position in shares of the Company

Name	Nature of Interest	Name of Shares	Approximate Percentage of Shareholding in the Company
Mr. WONG Chun Chau <i>(Notes 1, 2)</i>	Interest in controlled corporation	870,300,000	52.69%
Mr. Merzbacher WERNER <i>(Note 3)</i>	Interest in controlled corporation	85,748,195	5.19%

1. Mr. Wong Chun Chau was deemed to be interested in 870,300,000 shares held by Trader Global Investments Limited, a company which is wholly and beneficially owned by him, for the purpose of the SFO.
2. Mr. Wong Chun Chau is also the sole director of Trader Global Investments Limited.
3. Mr. Merzbacher Werner was deemed to be interested in 85,748,195 shares held by Carafe Investment Company Limited, a company which is wholly and beneficially owned by him, for the purpose of the SFO.

Save as disclosed above, as at 31 March 2014, the Directors were not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which were interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings or any other members of the Group or any persons (not being a Director) have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions in Division 2 and 3 of Part XV 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 2014 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM 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 were rights 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 of age, or were any such rights exercised by them.

SHARE OPTION SCHEMES

The Company has adopted, on 1 August 2012, two share option schemes namely, the pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) and the share option scheme (the “Share Option Scheme”), for the purposes of providing incentives to eligible employees and any advisers or consultants who contribute to the success of the Group.

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

Pre-IPO Share Option Scheme

The following share options were outstanding under the Pre-IPO Share Option Scheme during the year:

Name or category of participant	As at 1 April 2013	Number of share options			Adjusted number of share options (Note 1)	As at 31 March 2014	Date of grant of share options	Exercise price of share options HK\$ (Note 1)	Adjusted exercise price of share options HK\$	Exercise period of share options
		Granted during the year	Exercised during the year	Lapsed during the year						
<i>Directors</i>										
Mr. WONG Chun Chau	36,480,000	—	(16,400,000)	—	4,016,000	24,096,000	1 August 2012	0.208	0.173	Note 2
Ms. KWOK Yin Ning	24,000,000	—	(10,800,000)	—	2,640,000	15,840,000	1 August 2012	0.208	0.173	Note 2
<i>Consultant</i>	14,400,000	—	(5,760,000)	—	2,880,000	11,520,000	1 August 2012	0.26	0.217	Note 3
<i>Employees</i>	5,760,000	—	(480,000)	—	1,056,000	6,336,000	1 August 2012	0.26	0.217	Note 4
	<u>80,640,000</u>	<u>—</u>	<u>(33,440,000)</u>	<u>—</u>	<u>10,592,000</u>	<u>57,792,000</u>				

Note:

- Adjustments to the number of share options and the exercise price were made with effect from 6 July 2013 as a result of bonus issue of 230,400,000 ordinary shares on the basis of one new share for every five existing shares held by the shareholders of the Company whose names appear on the register of members of the Company on 5 July 2013.
- (i) Half of such share options are exercisable after the expiry of 6 months but not later than the end of 18 months from the date of grant, (ii) outstanding share options up to all such share options are exercisable after the expiry of 18 months but not later than the end of 36 months from the date of grant.
- All such share options are exercisable after the expiry of 9 months but not later than the end of 120 months from the date of grant.
- (i) One-third of such share options are exercisable after the expiry of 8 months but not later than the end of 20 months from the date of grant, (ii) outstanding share options up to two-thirds of all such share options are exercisable after the expiry of 20 months but not later than the end of 32 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 but not later than the end of 36 months from the date of grant.

COMPLIANCE ADVISER'S INTEREST IN THE COMPANY

As at 31 March 2014, as notified by the Company's compliance adviser, VC Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 13 August 2012, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Company had not entered into any connected transactions or continuing connected transactions which are required to be disclosed under Chapter 20 of GEM Listing Rules.

FINAL DIVIDEND

The board of Directors (the “Board”) has proposed a final dividend, for the year ended 31 March 2014, of HK0.3 cents in cash per share. No interim dividend was paid during the year.

In respect of the preceding year, a final dividend of HK0.7 cents in cash per share was paid and no interim dividend was declared

Subject to approval at the forthcoming annual general meeting to be held on 18 July 2014, Friday (the “AGM”), the said final dividend will be payable on or about 4 August 2014, Monday to shareholders whose names appear on the register of members of the Company at the close of business at 4:30 p.m. on 25 July 2014, Friday.

ISSUE OF BONUS SHARES

The Board has also proposed a bonus issue of one new share (the “Bonus Share”) credited as fully paid for every five shares held by shareholders whose names appear on the register of members on 25 July 2014, Friday. The relevant resolution will be proposed at the forthcoming AGM, and if passed and upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing permission to deal in such new shares, share certificates of the Bonus Shares is expected to be posted on 4 August 2014, Monday.

AGM

The AGM of the Company will be held on 18 July 2014, Friday. Notice of AGM will be published and dispatched to shareholders of the Company in the manner as required by the GEM Listing Rules.

EXPECTED TIMETABLE

Expected Timetable for Entitlement to Attend and Vote at AGM

In order to qualify to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the office of the branch share registrar of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, by no later than 4:30 p.m. on 15 July 2014, Tuesday.

The register of members of the Company will be closed from 16 July 2014, Wednesday to 18 July 2014, Friday (both dates inclusive), for the purposes of determining the entitlements of the Shareholders to attend and vote at the AGM. No transfer of the Shares may be registered on those dates.

Expected Timetable for final dividend and Bonus Issue

The last day of dealings in Shares with entitlement to the proposed final dividend and Bonus Shares will be 22 July 2014, Tuesday. In order to qualify for the proposed final dividend and Bonus Shares, (i) all transfers of Shares accompanied by the relevant share certificates, (ii) the exercise form in respect of the Share Options, together with a remittance in cash for the amount of the exercise price for the respective Shares, must be lodged with the office of the branch share registrar of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, by no later than 4:30 p.m. on 24 July 2014, Thursday.

The register of members of the Company will be closed from 25 July 2014, Friday, for the purposes of determining the entitlements of the Shareholders to the proposed final dividend and Bonus Shares upon the passing of relevant resolution. No transfer of the Shares may be registered on those dates.

Subject to the relevant resolutions being passed at the AGM, the proposed final dividend will be payable and the share certificate of the Bonus Shares is expected to be despatched on or before 4 August 2014, Monday to Shareholders whose names appear on the register of members of the Company on 25 July 2014, Friday, and the first date of dealings in the Bonus Shares is expected to be 5 August 2014, Tuesday.

Dates or deadlines specified in this circular are indicative only and may be varied by the Company. Any consequential changes to the expected timetable above will be published or notified to the Shareholders in accordance with the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company has fully complied with the required Code Provisions throughout the year ended 31 March 2014.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding securities transactions by Directors on the same terms as the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Required Standard of Dealings”). Upon the Group’s specific enquiry, all Directors confirmed that during the year ended 31 March 2014, they had fully complied with the Required Standard of Dealings and there was no event of non-compliance.

AUDIT COMMITTEE

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

The Audit Committee has adopted the written terms of reference in compliance with Code Provision C3.3. 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. The Group’s annual results for the year ended 31 March 2014 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 GEM Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 9 June 2014

Executive Directors:
Mr. Wong Chun Chau
Ms. Kwok Yin Ning

Independent non-executive Directors:
Mr. Ang Wing Fung
Mr. Tang Tat Chi
Mr. Jean-pierre Philippe

For the purpose of illustration only and unless otherwise stated, conversion of DKK to HK\$ in this announcement is based on the exchange rate of DKK1.00 to HK\$1.43. Such conversion should not be construed as a representation that any amount have been, could have been, or may be, exchanged at this or any other rate.

This announcement will remain on the “Latest Company Announcements” page of the GEM Website at www.hkgem.com for 7 days from the date of its posting and on the Company’s website at www.ukf.com.hk.