UKF (HOLDINGS) LIMITED
英裘(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01468)

ANNUAL RESULTS ANNOUNCEMENT
For the year ended 31 March 2019

The board of Directors (the "Board") presents the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2019 together with comparative figures for the corresponding year in 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*3*	**113,546**	200,268
Cost of sales		**(78,896)**	(122,719)
Gross profit		**34,650**	77,549
Other income		**4,594**	36,614
Impairment of goodwill		**(20,536)**	—
Change in fair value less costs to sell of biological assets	*9*	**7,565**	12,339
Change in fair value of financial assets at fair value through profit or loss		**353**	—
Loss on early redemption of promissory note		**(7,099)**	(5,158)
(Provision for) reversal of impairment of trade receivables, net		**(1,632)**	718
Provision for impairment of loan receivables		**(96)**	—
Bad debts write-off		—	(3,041)
Administrative expenses		**(95,805)**	(108,052)
Finance costs		**(10,802)**	(11,512)
Loss before tax	*5*	**(88,808)**	(543)
Income tax expense	*6*	**(397)**	(7,366)
Loss for the year		**(89,205)**	(7,909)

	Note	2019 HK$'000	2018 HK$'000
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of overseas operations		**(12,261)**	(9,660)
Change in fair value of available-for-sale investment		**—**	346
Total other comprehensive expense for the year, net of tax		**(12,261)**	(9,314)
Total comprehensive expense for the year		**(101,466)**	(17,223)
Loss for the year attributable to:			
Owners of the Company		**(85,782)**	(6,710)
Non-controlling interests		**(3,423)**	(1,199)
		(89,205)	(7,909)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(98,043)**	(16,024)
Non-controlling interests		**(3,423)**	(1,199)
		(101,466)	(17,223)
Loss per share	*8*		
Basic		**(1.87) cents**	(0.15) cents
Diluted		**(1.87) cents**	(0.15) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**105,515**	128,128
Goodwill		**106,814**	127,350
Intangible assets		**500**	500
Financial assets at fair value through profit or loss		**11,559**	—
Available-for-sale investment		—	11,206
Deposits	*10*	**2,121**	2,335
		226,509	269,519
Current assets			
Biological assets	*9*	**8,954**	23,472
Inventories		**54,192**	45,799
Trade and other receivables	*10*	**274,185**	427,626
Loan receivables	*11*	**36,004**	3,500
Tax recoverable		**7,577**	501
Bank balances held on behalf of clients		**49,011**	91,569
Bank balances and cash		**100,821**	100,440
		530,744	692,907
Current liabilities			
Trade and other payables	*12*	**83,140**	124,376
Tax payables		**6,692**	10,849
Bank borrowings		**199,182**	169,000
Obligations under finance lease		**182**	375
Corporate bond — within one year		**10,000**	—
		299,196	304,600

	Note	2019 HK$'000	2018 HK$'000
Net current assets		**231,548**	388,307
Total assets less current liabilities		**458,057**	657,826
Non-current liabilities			
Obligations under finance lease		**78**	290
Corporate bond — over one year		**—**	10,000
Promissory note		**—**	99,244
		78	109,534
Net assets		**457,979**	548,292
Capital and reserve			
Share capital	*13*	**46,155**	45,569
Reserves		**414,581**	502,248
Equity attributable to the owners of the Company		**460,736**	547,817
Non-controlling interests		**(2,757)**	475
Total equity		**457,979**	548,292

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

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

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Investing activities			
Interest received		**143**	55
Purchase of property, plant and equipment		**(3,342)**	(2,844)
Proceeds from disposal of property, plant and equipment		**170**	—
Net cash outflow from acquisition of a subsidiary		**—**	(1,259)
Net cash used in investing activities		**(3,029)**	(4,048)
Financing activities			
Redemption of promissory note		**(108,800)**	(36,700)
New bank borrowings		**214,044**	437,135
Repayments of bank borrowings		**(178,247)**	(444,121)
Proceeds from issue of shares upon exercise of share options	*13*	**7,061**	10,209
Net proceeds from placing of shares		**—**	126,656
Inception of obligations under finance leases		**—**	255
Repayment of obligations under finance leases		**(354)**	(351)
Interest paid		**(8,286)**	(4,183)
Capital injection from non-controlling interests		**191**	1,573
Net cash (used in) generated from financing activities		**(74,391)**	90,473
Net increase in cash and cash equivalents		**799**	3,584
Cash and cash equivalents at beginning of the year		**100,440**	128,726
Effect of foreign exchange rate changes, net		**(418)**	(31,870)
Cash and cash equivalents at the end of the year		**100,821**	100,440
Cash and cash equivalents represented by			
Bank balances and cash		**100,821**	100,440

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL

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

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are provision of securities brokerage services, margin financing to clients, underwriting and placing services, insurance brokerages, wealth management and investment products consultancy services, trading of fur skins, mink farming in Denmark, fur skins brokerage and money lending.

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

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

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

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

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

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

HKFRS 9 Financial Instruments

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

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

Summary of effects arising from initial application of HKFRS 9

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

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

(i) Classification and measurement

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

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

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

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

(ii) Impairment under ECL model

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

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

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

For loan receivables, the Group has measured the loss allowances by using HKFRS 9 general approach and has calculated ECLs based on life-time ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

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

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

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

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

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

Presentation of ECLs

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

Impact of ECLs model

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

No additional impairment for loan receivables and trade receivables arising from cash clients, clearing house, brokers, mink farming and fur skin brokerages at 1 April 2018 is recognised as the amount additional impairment measured under the life-time ECLs model is immaterial.

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

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

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

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

— Provision of insurance brokerage and wealth management services

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

— Provision of fur brokerage and financing services

— Trading of fur skins of foxes and minks

— Provision and arrangement of money lending services in Hong Kong

Information about the accounting policies resulting from application of HKFRS 15 are disclosed in Note 3 to the consolidated financial statements.

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

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

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

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

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

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

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

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

2 Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted

3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, with earlier application permitted

4 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted

5 Effective date to be determined

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

HKFRS 16 Leases

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

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$12,909,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the Group is also considering the treatment of the refundable rental deposits paid under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

3. REVENUE

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

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

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

4. SEGMENT INFORMATION

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

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

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

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

For the year ended 31 March 2019

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

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

Other information

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

For the year ended 31 March 2018

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

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

Other information

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

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

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

- all assets other than prepayments and deposits, financial assets at fair value through profit or loss/available-for-sale investment, bank balances and cash, tax recoverable and deferred tax asset are allocated to reportable segments. Goodwill is allocated to segments of securities and insurance brokerage. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segment; and

- all liabilities are allocated to reportable segments other than accrued expenses and other payable, obligations under finance leases, corporate bond, tax payables, promissory note and deferred tax liability. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Geographical information

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

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

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

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

Information about major customers

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

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

Note a: The customer is a product issuer.

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

5. LOSS BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration	**746**	827
Bad debts write-off	**—**	3,041
Provision for (reversal of) impairment of trade receivables, net	**1,632**	(718)
Provision for impairment of loan receivables	**96**	—
Cost of inventories recognised as expenses	**34,717**	115,775
Depreciation	**14,831**	16,465
Net foreign exchange loss (gain)	**44**	(31,796)
Staff costs (including directors' remuneration)		
— salaries and allowance	**39,204**	45,387
— retirements benefits scheme contributions	**1,783**	1,557
Gain on disposal of property, plant and equipment	**(170)**	—
Write-off of property, plant and equipment	**349**	109
Operating lease payments	**8,216**	5,697
Impairment of goodwill	**20,536**	—
Share-based payment	**4,723**	—

6. INCOME TAX EXPENSE

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

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

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

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

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

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

7. DIVIDENDS

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

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the loss attributable to owners of the Company for the year ended 31 March 2019 of HK$85,782,000 (2018: loss of HK$6,710,000) and the weighted average number of ordinary shares of 4,593,667,615 (2018: 4,330,137,891 shares).

Diluted loss per share

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

9. BIOLOGICAL ASSETS

Movements of the biological assets are as follows:

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

The number of biological assets is as follows:

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

Analysed for reporting purposes as follows:

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

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

The fair value of the biological assets is measured at the reporting date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair Value Measurement.

The qualification of Valuer

The Group's biological assets were independently valued by Graval Consulting Limited ("Valuer") as at 31 March 2019 (the "Valuation Date"). The professional valuers in charge of this valuation have appropriate qualifications and relevant experience in various appraisal assignments involving biological assets and agricultural produce. The professional valuers involved in this valuation include a professional member of the Royal Institution of Chartered Surveyors (MRICS), CFA charterholders and have appraisal experience in a broad range of assets such as property assets, industrial assets, biological assets, mining rights and assets, technological assets and financial assets in the PRC, Hong Kong, Europe and abroad. They have previously participated in the valuation of biological assets and agricultural produce such as hogs, vegetables, fruits, grains and landscaping plants.

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

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

Valuation methodology of biological assets

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

Valuation of mated females

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

Valuation of males

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

Prices and costs of the Biological Assets

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

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

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

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

Note 3: Pelting and sales fee reflect incremental costs to sell for livestocks and are deducted from the assessed fair value.

Note 4: Surplus from Kopenhagen Fur is received by farmers from the auction body.

*: DKK stands for Danish Krone

Major inputs

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

Result

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

Valuation assumptions

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

- The biological assets are properly managed with necessary care and are receiving proper veterinary care to ensure their normal growth;
- There will be no force majeure, including natural disasters that could adversely impact the condition of the biological assets;
- As a going concern, the business enterprise will successfully carry out all necessary activities for the development of its business;
- Market trends and conditions where the business enterprise operates will not deviate significantly from the economic forecasts in general;
- Key management, competent personnel and technical staff will all be retained to support the ongoing operations of the business enterprise;
- There will be no material changes in the business enterprise's business strategy and its operating structure;
- Interest rates and exchange rates in the localities for the operation of the business enterprise will not differ materially from those presently prevailing;
- All relevant approvals, business certificates, licences or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate will be officially obtained and renewable upon expiry unless otherwise stated; and
- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the business enterprise operates or intends to operate, which would adversely affect the revenues and profits attributable to the business enterprise.

Sensitivity analysis

Change in the discount rate applied resulted in significant fluctuations in the change in fair value of biological assets. The following table illustrates the sensitivity of the Group's net change in fair value of biological assets to an increase or decrease by 5% in the discount rate applied for the year ended 31 March 2019.

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

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

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

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

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

Change in the birth rate applied resulted in significant fluctuations in the change in fair value of biological assets. The following table illustrates the sensitivity of the Group's net change in fair value of biological assets to an increase or decrease by 1 in the birth rate applied for the year ended 31 March 2019.

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

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

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

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

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

Change in the average skins price applied resulted in significant fluctuations in the change in fair value of biological assets. The following table illustrates the sensitivity of the Group's net change in fair value of biological assets to an increase or decrease by 5% in average skins price applied for the year ended 31 March 2019.

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

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

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

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

10. TRADE AND OTHER RECEIVABLES/DEPOSITS

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

Notes:

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

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

Cash clients

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

Margin clients

Trade receivables due from margin clients are repayable on demand. Except for pending trade settlement, the balances of margin clients bear interest at interest rates by reference to Hong Kong prime rate plus certain basis points based on management's discretion, normally at Hong Kong prime rate plus 3%. The majority of trade receivables are secured and covered by clients' pledged securities, which are publicly traded securities listed in Hong Kong.

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

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

Clearing house and brokers

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

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

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

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

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

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

Trade receivables that were neither past due nor impaired related to a large number of diversified clients for whom there was no recent history of default.

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

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

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

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

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

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

11. LOAN RECEIVABLES

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

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

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

The following is an aging analysis of the Group's loan receivables by age, presented based on the advancement date and net of allowance for ECL at 31 March 2019 and 2018:

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

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

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

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

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

12. TRADE AND OTHER PAYABLES

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

Notes:

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

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

The trade payables from the securities business are normally settled within two trading days after the trade date except for the money held on behalf of clients at the segregated bank accounts which is repayable on demand. The money held on behalf of clients at the segregated bank accounts carries interest at prevailing interest rate of 0.01% (2018: 0.01%) per annum.

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

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

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

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

(c) The Group normally settles the trade payables from insurance brokerage commission business within 21 days of the credit term.

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

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

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

13. SHARE CAPITAL

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

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

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

14. RECLASSIFICATION

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

15. EVENT AFTER REPORTING PERIOD

From 31 March 2019 to the reporting date, the Group had no material event after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

SECURITIES

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

INSURANCE BROKAGE

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

FUR

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

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

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

OTHER SEGMENT

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

PROSPECTS

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

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

FINANCIAL REVIEW

Revenue and Segment Results

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

Securities

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

Insurance brokerage

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

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

Fur

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

Other segment

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

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

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

Cost of sales

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

Gross profit and gross profit margin

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

Other income

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

Change in fair value less costs to sell of biological assets

The Group recognised a gain of approximately of HK$7.6 million from an adjustment in the fair value of biological assets for FY2019, compared to a gain of HK$12.3 million last year. The biological assets are mated female minks and male minks for breeding for the mink farming business. Further details regarding the valuation of biological assets are set out in Note 9 to the consolidated financial statements.

Administrative expenses

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

Finance costs

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

Loss for the year

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

Liquidity, Financial Resources and Capital Structure

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

FINANCIAL KEY PERFORMANCE

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

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure of foreign currency risk. As the HK$ is pegged to the US$, the Group considers the risk of movements in exchange rates between the HK$ and the US$ to be insignificant.

FOREIGN CURRENCY MANAGEMENT

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

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

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

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

CHARGE OF ASSETS

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

MATERIAL ACQUISITIONS OR DISPOSALS AND SIGNIFICANT INVESTMENTS

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

FINAL DIVIDEND

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

EMPLOYEE INFORMATION

As at 31 March 2019, the Group had a total of 74 staff members including Directors (2018: 74). Staff costs including Director's remuneration amounted to approximately HK$41 million for the year ended 31 March 2019 (2018: approximately HK$46.9 million). Remuneration is determined based on the individual's qualification, experience, position, job responsibility and market conditions. Salary adjustments and staff promotion are based on evaluation of staff performance by way of annual review, and discretionary bonuses would be paid to staff with reference to the financial performance of the Group of the preceding financial year. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong, and options that were granted or may be granted under the pre-IPO share option scheme ("Pre-IPO Share Option Scheme") and the share option scheme of the Company (the "Share Option Scheme"), together with the Pre-IPO Share Option Scheme (the "Share Option Schemes"), both of which were approved by the then sole shareholder on 1 August 2012.

RISK MANAGEMENT

Credit Risk

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

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

Liquidity risk

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

Foreign currency risk

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

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure to foreign currency risk. The management of the Group may implement foreign currency forward contracts to hedge the exposure to foreign currency risk. As the Hong Kong Dollar is pegged to the US Dollar, the Group considers the risk of movements in exchange rates between the Hong Kong Dollars and the US Dollars to be insignificant.

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

CORPORATE GOVERNANCE

The Company has fully complied with the required code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 14 of the Listing Rules for the year ended 31 March 2019 with the following exception:

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

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

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group adopted the code of conduct for securities transactions by Directors ("Securities Dealings Code") on terms no less exacting than that set out in Appendix 10 of the Listing Rules. Upon the Group's specific enquiry, all Directors confirmed that during the year ended 31 March 2019, they had fully complied with the Securities Dealings Code.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

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

The Group's annual results for the year ended 31 March 2019 have been reviewed by the Audit Committee. The Audit Committee is of opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

SCOPE OF WORK OF HLM CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in this announcement have been agreed by the Group's auditors, HLM CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLM CPA Limited in this respect did not constitute any assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLM CPA Limited in this announcement.

PUBLICATION OF ANNUAL REPORT

The annual report for FY2019 containing all the information required by Appendix 16 of the Listing Rules will be despatched to the shareholders and available on the Company's website (www.ukf.com.hk) and the designated website of the Stock Exchange (www.hkexnews.hk) in due course.

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

Hong Kong, 27 June 2019

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

Executive Directors:
Mr. Wong Chun Chau *(Chairman)*
Ms. Kwok Yin Ning

Independent Non-executive Directors:
Ms. Mak Yun Chu
Mr. Tang Tat Chi
Mr. Hung Wai Che