



**UKF (HOLDINGS) LIMITED**

**英裘(控股)有限公司**

(Incorporated in the Cayman Islands with limited liability)

GEM stock code: 8168



**First Quarterly Report 2013**

## **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 report, for which the directors (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, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.*

# Contents

|   |           |
|---|-----------|
| Financial Highlights  | <b>3</b>  |
| Chairman's Statement  | <b>4</b>  |
| Unaudited Condensed Consolidated<br>Statement of Comprehensive Income | <b>6</b>  |
| Unaudited Condensed Consolidated<br>Statement of Financial Position   | <b>7</b>  |
| Unaudited Condensed Consolidated<br>Statement of Changes in Equity    | <b>8</b>  |
| Notes to the Unaudited Condensed Consolidated<br>Financial Statements | <b>9</b>  |
| Management Discussion and Analysis                                    | <b>19</b> |

## Financial highlight

- Recorded an unaudited turnover of approximately HK\$77.8 million for the three months ended 30 June 2013, representing an increase of approximately 29.6% over the same period of the previous year.
- Recorded an unaudited profit attributable to the equity holders of the Company of approximately HK\$9.1 million for the three months ended 30 June 2013, representing an increase of approximately 81.6% over the same period of the previous year.
- Basic earnings per Share for the three months ended 30 June 2013 were HK0.79 cents (2012: HK0.69 cents).
- The Directors do not recommend the payment of dividend for the three months ended 30 June 2013.

## **Chairman's Statement**

### **Results**

The Group's unaudited turnover for the three months ended 30 June 2013 was approximately HK\$77.8 million, representing a significant increase of approximately 29.6% from approximately HK\$60.1 million during the same period in 2012.

The gross profits for the Group were approximately HK\$16.8 million and HK\$8.9 million for the three months ended 30 June 2013 and 30 June 2012, respectively, representing an increase of approximately 88.8%. The increase in gross profit was primarily due to the increase in mink skin prices during the period and the enlargement of the customer base after the acquisition of Loyal Speed.

Further, the Group recorded an unaudited net profit of approximately HK\$9.1 million for the three months ended 30 June 2013, representing an increase of approximately 81.6% over the same period of the previous year.

### **Business Review**

Beginning from April, most Chinese fur manufacturers have been prepared to purchase high-end Scandinavian skins for this coming winter season. Their fur factories generally begin to resume operation in May with workers returning from the end of April. As the two Scandinavian auctions in June were the last chance for furriers around the globe to purchase skins before the long summer and autumn production period, the attendance to both the Saga Furs and Kopenhagen Fur auctions broke their all time records and resulted in an increase of approximately 30% in prices for blue fox (Saga) and an increase of approximately 15% in prices for brown mink (Kopenhagen Fur).

### **Trading**

The fur skin trading income for the quarter ended 30 June 2013 increased from approximately HK\$60.1 million for the corresponding period of 2012 to approximately HK\$76.7 million, representing an increase of approximately 27.7%. The net profit of trading after tax also had year-on-year increase of 103.3% from approximately HK\$6.0 million to approximately HK\$12.2 million for the quarter ended 30 June 2013. This year, the historically high auction prices of blue fox and mink prices in the Saga Furs and Kopenhagen Fur auctions in June helped the Group to trade skins to more selected customers, mainly in China and Russia at higher prices.

### **Acquisition of Mink Farm**

The Group spent approximately DKK11.1 million (approximately HK\$15.1 million) on 8 May 2013 to buy the Group's third mink farm in Denmark. The purchase included a piece of agricultural land of approximately 110.602 square meters (the "Land"), the mink farm, all buildings located on the Land, all fixtures and fittings, breeders, crops, manure, machinery, equipment, livestock and all appurtenances rightly belonging to the Land.

## **Prospects**

As the blue fox and mink skins recorded the highest prices in the two Scandinavian auctions in June, the Group is expected to enjoy a better-than-expected profit from its inventory during the remainder of the year. Meanwhile, famous international brands such as Hermes and Louis Vuitton have continuously made fur garments and fur trimmed garments very fashionable and popular worldwide, the demand for fur garments and fur trimmed garments is expected to further increase, especially in China, Russia and Korea.

In addition, after the acquisition of Loyal Speed, the Group is expected to remain very profitable since additional customers will request for our services in the coming auctions with the fur skin market continues to exhibit an upward trend.

The Group's three mink farms have achieved very positive results so far as the birth rate and the colour combinations have turned out to be satisfactory.

Also, on 4 July 2013, the Group has signed a letter of intent to form a joint venture with a Danish individual to indicate their intention to enter into agreements to form a mink farm that can potentially raise approximately 10,000 breeders and breed approximately 60,000 minks per year, with the Group initially holding 92.5% of share capital of the joint venture.

With the potential of acquiring more Danish farms in the near future, the Group has hired a very experienced area manager, Mr. John Eggert, to supervise the existing staff members and managers of the Group's three mink farms and to assist the Group with all of the expansions in the mink farming business.

All of the above should lead to a very profitable year coupled with the addition of the mink farms in Denmark.

### **Wong Chun Chau**

*Chairman*

Hong Kong, 12 August 2013

## Unaudited condensed consolidated statement of comprehensive income

For the three months ended 30 June 2013

|   | Notes | 2013<br>HK\$<br>(unaudited) | 2012<br>HK\$<br>(unaudited) |
|---|-------|-----------------------------|-----------------------------|
| Turnover  | 3     | <b>77,845,049</b>           | 60,065,259                  |
| Cost of sales   |       | <b>(61,076,060)</b>         | (51,181,952)                |
| Gross profit  |       | <b>16,768,989</b>           | 8,883,307                   |
| Other income  | 4     | <b>319,879</b>              | 34,836                      |
| Change in fair value less cost to sell of biological assets                                 |       | <b>566,436</b>              | —                           |
| Administrative expenses   |       | <b>(7,390,601)</b>          | (2,537,929)                 |
| Finance costs   | 5     | <b>(843,553)</b>            | (222,307)                   |
| Profit before tax   | 6     | <b>9,421,150</b>            | 6,157,907                   |
| Income tax expenses   | 7     | <b>(355,336)</b>            | (1,165,972)                 |
| Profit for the period attributable to equity holders of the Company                         |       | <b>9,065,814</b>            | 4,991,935                   |
| Other comprehensive expenses  |       |                             |                             |
| Exchange difference on translation of overseas operations                                   |       | —                           | —                           |
| Total comprehensive income for the period attributable to the equity holders of the Company |       | <b>9,065,814</b>            | 4,991,935                   |
| Earnings per Share (cents)  | 9     |                             |                             |
| Basic   |       | <b>0.79</b>                 | 0.69                        |
| Diluted   |       | <b>0.77</b>                 | 0.69                        |

## Unaudited condensed consolidated statement of financial position

At 30 June 2013

|  | Notes | 30 June<br>2013<br>HK\$<br>(unaudited) | 31 March<br>2013<br>HK\$<br>(audited) |
|--|-------|--|---------------------------------------|
| <b>Non-current asset</b>                     |       |  |                                       |
| Property, plant and equipment                | 10    | 24,861,944                             | 15,756,136                            |
| Investment properties                        |       | 1,410,300                              | 741,262                               |
| Goodwill                                     |       | 74,425,332                             | —                                     |
| Deferred tax asset                           |       | 921,075                                | 503,089                               |
|  |       | <b>101,618,651</b>                     | 17,000,487                            |
| <b>Current assets</b>                        |       |  |                                       |
| Biological assets                            |       | 12,869,084                             | 5,990,558                             |
| Inventories                                  |       | 59,234,377                             | 88,978,954                            |
| Trade and other receivables                  | 11    | 65,626,120                             | 52,611,026                            |
| Loan receivables                             | 12    | 97,898,545                             | —                                     |
| Bank balances and cash                       |       | 28,223,658                             | 134,468,472                           |
|  |       | <b>263,851,784</b>                     | 282,049,010                           |
| <b>Current liabilities</b>                   |       |  |                                       |
| Trade and other payables                     | 13    | 27,760,959                             | 79,798,868                            |
| Tax payables                                 |       | 12,486,590                             | 6,562,161                             |
| Auction loans                                | 14    | 18,319,910                             | —                                     |
| Bank borrowings                              | 15    | 98,552,293                             | 31,655,899                            |
|  |       | <b>157,119,752</b>                     | 118,016,928                           |
| <b>Net current assets</b>                    |       | <b>106,732,032</b>                     | 164,032,082                           |
| <b>Total assets less current liabilities</b> |       | <b>208,350,683</b>                     | 181,032,569                           |
| <b>Non-current liabilities</b>               |       |  |                                       |
| Corporate bond                               | 16    | 10,000,000                             | 10,000,000                            |
| Promissory note                              | 17    | 17,715,197                             | —                                     |
| Deferred tax liability                       |       | 11,096                                 | 7,470                                 |
|  |       | <b>27,726,293</b>                      | 10,007,470                            |
| <b>Net assets</b>                            |       | <b>180,624,390</b>                     | 171,025,099                           |
| <b>Capital and reserves</b>                  |       |  |                                       |
| Share capital                                | 18    | 11,520,000                             | 11,520,000                            |
| Reserves                                     |       | 169,104,390                            | 159,505,099                           |
| <b>Total equity</b>                          |       | <b>180,624,390</b>                     | 171,025,099                           |



## Unaudited condensed consolidated statement of changes in equity

For the three months ended 30 June 2013

|   | Share<br>capital<br>HK\$ | Share<br>premium<br>HK\$ | Merger<br>reserve<br>HK\$ | Share<br>options<br>reserve<br>HK\$ | Translations<br>reserve<br>HK\$ | Retained<br>profits<br>HK\$ | Total<br>HK\$ |
|---|--------------------------|--------------------------|---------------------------|-------------------------------------|---------------------------------|-----------------------------|---------------|
| At 1 April 2012 (audited)                               | 78,000                   | —                        | —                         | —                                   | —                               | 28,577,489                  | 28,655,489    |
| Dividend declared                                       | —                        | —                        | —                         | —                                   | —                               | (8,280,000)                 | (8,280,000)   |
| Profit and total comprehensive<br>income for the period | —                        | —                        | —                         | —                                   | —                               | 4,991,935                   | 4,991,935     |
| At 30 June 2012 (unaudited)                             | 78,000                   | —                        | —                         | —                                   | —                               | 25,289,424                  | 25,367,424    |
| At 1 April 2013 (audited)                               | 11,520,000               | 114,649,721              | (7,122,000)               | 4,561,909                           | (7,722)                         | 47,423,191                  | 171,025,099   |
| Recognition of equity-settled<br>share based payments   | —                        | —                        | —                         | 533,477                             | —                               | —                           | 533,477       |
| Profit and total comprehensive<br>income for the period | —                        | —                        | —                         | —                                   | —                               | 9,065,814                   | 9,065,814     |
| At 30 June 2013 (unaudited)                             | 11,520,000               | 114,649,721              | (7,122,000)               | 5,095,386                           | (7,722)                         | 56,489,005                  | 180,624,390   |

## Notes to the unaudited condensed consolidated financial statements

For the three months ended 30 June 2013

### 1. General information

UKF (Holdings) Limited (the “Company”) was incorporated in the Cayman Islands on 31 March 2011 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and 902, Harbour Centre, Tower 2, 8 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong respectively.

Pursuant to a group reorganisation (the “Reorganisation”) to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) in preparation of the listing of the Company’s shares (“Shares”) on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the Group on 1 August 2012. Details of the Reorganisation were set out in the section headed “History and Development” to the prospectus of the Company dated 15 August 2012 (the “Prospectus”).

The Company is engaged in investment holding while the Group is principally engaged in trading and brokerage of fur skins of foxes and minks and mink farming.

These condensed consolidated financial statements have not been audited.

### 2. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective terms include all applicable individual Hong Kong Accounting Standards (“HKASs”), interpretations issued by the HKICPA and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Company. There have been no significant changes to the accounting policies applied in these financial statements for the periods presented as a result of these developments.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgments in the process of applying the Group’s accounting policies.

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 March 2013.

### 3. Turnover and segment information

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the board of directors) in order to allocate resources to the segment and to assess its performance.

The Board reviewed the sales of major products for the purpose of resources allocation and performance assessment and considered that the Group operates in two business units based on their products, and has two reportable and operating segments: trading of fur skins and mink farming.

An analysis of the Group's turnover for each reporting period is as follows:

|                      | Three months ended 30 June  |                             |
|----------------------|-----------------------------|-----------------------------|
|                      | 2013<br>HK\$<br>(unaudited) | 2012<br>HK\$<br>(unaudited) |
| Trading of fur skins | 76,693,446                  | 60,065,259                  |
| Mink farming         | 1,151,603                   | —                           |
|                      | <b>77,845,049</b>           | 60,065,259                  |

### Geographical information

An analysis of the Group's turnover for each reporting period by geographical market is as follows:

|  | Three months ended 30 June  |                             |
|--|-----------------------------|-----------------------------|
|  | 2013<br>HK\$<br>(unaudited) | 2012<br>HK\$<br>(unaudited) |
| The People's Republic of China ("PRC") | 49,271,278                  | 42,834,865                  |
| Europe                                 | 10,585,671                  | 13,759,410                  |
| Russia                                 | 13,490,044                  | 2,460,619                   |
| Canada                                 | 2,086,204                   | —                           |
| Hong Kong                              | 2,411,852                   | 1,010,365                   |
|  | <b>77,845,049</b>           | 60,065,259                  |

#### 4. Other income

|                                      | Three months ended 30 June  |                             |
|--------------------------------------|-----------------------------|-----------------------------|
|                                      | 2013<br>HK\$<br>(unaudited) | 2012<br>HK\$<br>(unaudited) |
| Bank interest income                 | 362                         | 13                          |
| Exchange gain, net                   | 153,865                     | 28,947                      |
| Bonus and rebate from auction houses | —                           | 5,876                       |
| Rental income                        | 7,271                       | —                           |
| Sundry income                        | 158,381                     | —                           |
|                                      | <b>319,879</b>              | <b>34,836</b>               |

#### 5. Finance costs

|   | Three months ended 30 June  |                             |
|---|-----------------------------|-----------------------------|
|   | 2013<br>HK\$<br>(unaudited) | 2012<br>HK\$<br>(unaudited) |
| Interest wholly repayable within five year: |                             |                             |
| Trust receipt loans interest                | 444,635                     | 106,177                     |
| Term loan interest                          | 28,767                      | —                           |
| Overdrafts interest                         | 572                         | 2,127                       |
| Imputed interest on promissory note         | 95,051                      | —                           |
| Corporate bond interest                     | 137,499                     | —                           |
| Auction interest                            | 5,857                       | 14,711                      |
| Auction finance interest                    | 131,172                     | 99,292                      |
|   | <b>843,553</b>              | <b>222,307</b>              |

## 6. Profit before tax

|  | Three months ended 30 June  |                             |
|--|-----------------------------|-----------------------------|
|  | 2013<br>HK\$<br>(unaudited) | 2012<br>HK\$<br>(unaudited) |
| Profit before tax has been arrived at after charging:          |                             |                             |
| Cost of inventories recognised as expenses                     | 61,008,683                  | 51,065,939                  |
| Staff costs (including directors' remuneration)                |                             |                             |
| – Salaries and allowances                                      | 2,061,375                   | 591,690                     |
| – Defined contribution retirement benefit scheme contributions | 29,245                      | 21,214                      |
| Depreciation   | 485,929                     | 5,010                       |
| Equity-settled share-based payments                            | 533,477                     | —                           |
| Operating lease payments                                       | 125,161                     | 88,185                      |

## 7. Income tax expenses

|                       | Three months ended 30 June  |                             |
|-----------------------|-----------------------------|-----------------------------|
|                       | 2013<br>HK\$<br>(unaudited) | 2012<br>HK\$<br>(unaudited) |
| The charge comprises: |                             |                             |
| Hong Kong Profits Tax | 774,812                     | 1,166,690                   |
| Other jurisdictions   | —                           | —                           |
|                       | 774,812                     | 1,166,690                   |
| Deferred taxation     | (419,476)                   | (718)                       |
|                       | 355,336                     | 1,165,972                   |

- (i) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.
- (ii) Denmark subsidiary is subject to Denmark Income Tax of 25% for the period.
- (iii) Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

## 8. Dividends

The Directors do not recommend the payment of dividend for the three months ended 30 June 2013 (Three months ended 30 June 2012: Nil).

## 9. Earnings per share

The calculation of basic and diluted earnings per Share attributable to equity holders of the Company is based on the profits attributable to equity holders of the Company for the three months ended 30 June 2013 of HK\$9,065,814 (2012: HK\$4,991,935) and 1,152,000,000 (2012: 720,000,000) shares in issue during the three months ended 30 June 2013.

The weighted average number of ordinary shares in issue during the three months ended 30 June 2012 on the assumption that 720,000,000 Shares of HK\$0.01 each, representing the number of Shares immediately after the Reorganisation as disclosed in Appendix V to the Prospectus but excluding any Shares to be issued pursuant to the placing upon the listing of the Shares (the "IPO Placing") had been effective on 1 April 2012.

## 10. Property, plant and equipment

During the three months ended 30 June 2013, the Group spent HK\$9,906,623 (three months ended 30 June 2012: Nil) on acquisition of property, plant and equipment.

## 11. Trade and other receivables

|                                | 30 June 2013<br>HK\$<br>(unaudited) | 31 March 2013<br>HK\$<br>(audited) |
|--------------------------------|-------------------------------------|------------------------------------|
| Trade receivables              | 61,464,084                          | 51,253,885                         |
| Prepayments                    | 3,285,805                           | 757,566                            |
| Deposits and other receivables | 876,231                             | 599,575                            |
|                                | <b>65,626,120</b>                   | 52,611,026                         |

The Group offered credit periods ranging from 0 to 120 days to its trade customers. The Group did not hold any collateral over the trade receivable balances. The following is an aged analysis of trade receivables presented based on invoice date at the end of the reporting periods.

|               | 30 June 2013<br>HK\$<br>(unaudited) | 31 March 2013<br>HK\$<br>(audited) |
|---------------|-------------------------------------|------------------------------------|
| 0 – 60 days   | 17,342,541                          | 44,964,541                         |
| 61 – 90 days  | 31,636,969                          | 4,027,597                          |
| 91 – 120 days | 12,484,574                          | —                                  |
| Over 120 days | —                                   | 2,261,747                          |
|               | <b>61,464,084</b>                   | 51,253,885                         |

## 12. Loan receivables

|                              | <b>30 June 2013</b><br><b>HK\$</b><br><b>(unaudited)</b> | 31 March 2013<br>HK\$<br>(audited) |
|------------------------------|--|------------------------------------|
| Loan to customers            | <b>96,538,315</b>  | —                                  |
| Accrued interest receivables | <b>1,360,230</b>   | —                                  |
|                              | <b>97,898,545</b>  | —                                  |

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

## 13. Trade and other payables

The following is an aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting periods:

|                             | <b>30 June 2013</b><br><b>HK\$</b><br><b>(unaudited)</b> | 31 March 2013<br>HK\$<br>(audited) |
|-----------------------------|--|------------------------------------|
| 0 – 60 days                 | <b>19,187,900</b>  | 50,313,314                         |
| 61 – 90 days                | —  | —                                  |
| 91 – 120 days               | —  | 26,107,969                         |
| Over 120 days               | <b>5,008,441</b>   | 1,659,338                          |
| Trade payables              | <b>24,196,341</b>  | 78,080,621                         |
| Other payables and accruals | <b>3,564,618</b>   | 1,718,247                          |
|                             | <b>27,760,959</b>  | 79,798,868                         |

## 14. Auction loans

The auction loans were unsecured and interest bearing. The auction loans will be charged at interest rates ranging from 8.5% to 10% per annum.

## 15. Bank borrowings

|                     | <b>30 June 2013</b><br><b>HK\$</b><br><b>(unaudited)</b> | 31 March 2013<br>HK\$<br>(audited) |
|---------------------|--|------------------------------------|
| Trust receipt loans | <b>88,816,547</b>  | 31,655,899                         |
| Term loan           | <b>9,735,746</b>   | —                                  |
|                     | <b>98,552,293</b>  | 31,655,899                         |

## 16. Corporate bond

The Group issued a corporate bond with the principal amount of HK\$10,000,000 at the interest rate of 5.5% p.a. payable annually for 7 years.

## 17. Promissory note

|                          | <b>30 June 2013</b><br><b>HK\$</b><br><b>(unaudited)</b> | 31 March 2013<br>HK\$<br>(audited) |
|--------------------------|--|------------------------------------|
| Issued during the period | <b>17,620,146</b>  | —                                  |
| Imputed interest         | <b>95,051</b>  | —                                  |
|                          | <b>17,715,197</b>  | —                                  |

The promissory note was issued by Trade Region Limited (“Trade Region”), a direct wholly-owned subsidiary of the Company, in connection with the acquisition of the entire issued share capital of Loyal Speed on 13 May 2013. The promissory note is non-interest bearing and is payable on maturity of two years. The fair value of the promissory note in principal amount of HK\$20,000,000 was HK\$17,620,146 as at the issue date (i.e. 13 May 2013), based on the professional valuation performed by Assets Appraisal Limited. The effective interest rate of the promissory note is determined to be 6.54% per annum.



## 18. Share capital

|   | Notes | Number of Shares | Nominal value of<br>ordinary shares<br>HK\$ |
|---|-------|------------------|---|
| Ordinary shares of HK\$0.01 each                          |       |                  |   |
| Authorised:   |       |                  |   |
| As at 30 June 2013  |       | 2,500,000,000    | 25,000,000                                  |
| Issued and fully paid:                                    |       |                  |   |
| Issue of Shares upon Reorganisation                       | (a)   | 72,000,000       | 7,200,000                                   |
| Subdivided into 10 Shares of par value of HK\$0.01 each   | (b)   | 648,000,000      | —   |
| Issue of Shares upon listing                              | (c)   | 240,000,000      | 2,400,000                                   |
| Issue of Shares by top-up placing and top-up subscription | (d)   | 192,000,000      | 1,920,000                                   |
| As at 30 June 2013  |       | 1,152,000,000    | 11,520,000                                  |

- (a) Pursuant to written resolutions of the Directors passed on 1 August 2012, it was resolved that in exchange of and as consideration for the acquisition of the entire issued share capital of 2 shares of US\$1.00 each in the capital of Trade Region Limited from Mr. Wong Chun Chau ("Mr. Wong"), the Company (i) credited as fully paid at par the 1 nil-paid Share held by Trader Global Investments Limited and (ii) allotted and issued 71,999,999 Shares, all credited as fully paid, to Trader Global Investments Limited.
- (b) On 1 August 2012, each of the then issued and unissued Shares of par value of HK\$0.10 each in the share capital of the Company was subdivided into 10 Shares of par value of HK\$0.01 each. Upon the share subdivision becoming effective, the authorised share capital of the Company became HK\$25,000,000 divided into 2,500,000,000 Shares, of which 720,000,000 were in issue and fully paid. All the Shares upon the share subdivision becoming effective rank pari passu in all respects with each other and the share subdivision did not result in any change in the relevant rights of the Shareholders.
- (c) On 24 August 2012, the Company issued 240,000,000 new ordinary shares of HK\$0.01 each pursuant to the IPO Placing at a price of HK\$0.26 each upon the listing of the Shares on the GEM of the Stock Exchange of Hong Kong Limited.
- (d) On 7 March 2013, the Company issued and allotted 192,000,000 new ordinary shares of HK\$0.01 each at a price of HK\$0.325 per Share as a result of the top-up placing and subscription.

## 19.Acquisition of a subsidiary

On 13 May 2013, Trade Region, 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 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.

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

|   | HK\$                |
|---|---------------------|
| Properties, plant and equipment                 | 32,054              |
| Trade and other receivables                     | 47,708,535          |
| Cash and bank balances                          | 8,931,002           |
| Trade and other payables                        | (28,615,330)        |
| Auction loans                                   | (8,706,714)         |
| Tax payable                                     | (5,149,617)         |
| Deferred tax liabilities                        | (5,116)             |
| <b>Net assets acquired</b>                      | <b>14,194,814</b>   |
| Goodwill arising from acquisition               | 74,425,332          |
| <b>Total consideration</b>                      | <b>88,620,146</b>   |
| <b>Consideration satisfied by:</b>              |                     |
| Cash  | 71,000,000          |
| Promissory note at fair value                   | 17,620,146          |
|   | <b>88,620,146</b>   |
| <b>Net cash outflow arising on acquisition:</b> |                     |
| Consideration paid in cash                      | (71,000,000)        |
| Cash and bank balances acquired                 | 8,931,002           |
|   | <b>(62,068,998)</b> |

## 20. Subsequent events

- (i) On 15 July 2013, the Company issued bonus Shares on the basis of 1 bonus Share for every 5 Shares in issue as at the close of business of 5 July 2013 pursuant to an ordinary resolution by shareholders at annual general meeting held on 28 June 2013.
- (ii) On 16 July 2013, the Company issued unlisted warrants for the holders thereof to subscribe for up to 114,000,000 Shares at HK\$0.32 each during the 12 month period commencing from that date pursuant to an ordinary resolution by shareholders at extraordinary general meeting held on 28 June 2013.
- (iii) On 24 July 2013, the Company issued and allotted 230,400,000 new ordinary shares of HK\$0.01 each at HK\$0.28 per Share as a result of the top-up placing and subscription.

## **Management discussion and analysis**

### **Financial review**

#### **Turnover**

The Group's turnover for the three months ended 30 June 2013 was approximately HK\$77.8 million, representing a significant increase of approximately 29.6% from approximately HK\$60.1 million of the corresponding period in 2012. The increase in the turnover was mainly attributable to the strong demand of fur skins in PRC and Russia which increased the sales volume of fur skins and the enlargement of customer base after the acquisition of Loyal Speed. The operation of three mink farms in Denmark also provided an additional source of income for the Group.

#### **Cost of fur skins sold**

The cost of fur skins sold amounted to approximately HK\$61.1 million for the three months ended 30 June 2013, representing an increase of approximately 19.3% from approximately HK\$51.2 million of the corresponding period in 2012. The increase in the cost of fur skins sold was mainly attributable to the increase in sales of fur skins for the three months ended 30 June 2013 as compared with the three months ended 30 June 2012.

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

The gross profits of the Group were approximately HK\$16.8 million and HK\$8.9 million for the three months ended 30 June 2013 and 2012 respectively, representing an increase of approximately 88.8%. The gross profit margin of the Group increased from 14.8% for the three months ended 30 June 2012 to 21.5% for the corresponding period of 2013. The increase in gross profit was primarily due to increase in price of mink skins during the three month period ended 30 June 2013 and the enlarged customer base after the acquisition of Loyal Speed. The Group has conducted less resale in auction houses for the three months ended 30 June 2013 due to the relatively stable market price of fur skins and the keen demand from the PRC and Russia customers. The gross profit margin attained from the resale of fur skins through auction houses is usually lower than that attained from the sale of fur skins to other customers.

#### **Administrative expenses**

The administrative expenses of the Group increased by 191.2% from approximately HK\$2.5 million for the three months ended 30 June 2012 to approximately HK\$7.4 million for the three months ended 30 June 2013. The increase in the administrative expenses of the Group for the three months ended 30 June 2013 was primarily due to (i) the increase in equity-settled share based payment arising from the grant of the options ("Pre-IPO Share Options") under the Pre-IPO share option scheme adopted by the Company on 1 August 2012 (the "Pre-IPO Share Option Scheme"); and (ii) increase in staff salaries, depreciation, legal and professional fee as a result of the acquisitions of Loyal Speed and mink farms in Denmark by the Group during the three months ended 30 June 2013.

### **Finance costs**

The finance costs of the Group increased by 279.5% from approximately HK\$0.2 million for the three months ended 30 June 2012 to approximately HK\$0.8 million for the three months ended 30 June 2013. The increase in the finance costs of the Group for the three months ended 30 June 2013 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 30 June 2013, the Group obtained banking facilities of up to HK\$100 million; therefore, the trust receipt loans interest and term loan interest increase 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 annually for 7 years in November 2012, the Group incurred corporate bond interest during the three months ended 30 June 2013. As a part of consideration for the acquisition of Loyal Speed on 13 May 2013, the Group had 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 the corporate bond. The Group maintained bank balances and cash of approximately HK\$28.2 million as at 30 June 2013 (as at 31 March 2013: approximately HK\$134.5 million). The net assets of the Group as at 30 June 2013 were approximately HK\$180.6 million (31 March 2013: approximately HK\$171.0 million)

As at 30 June 2013, the Group had bank borrowings, which represented trust receipt loans and term loan, of approximately HK\$88.8 million and approximately HK\$9.7 million respectively to finance its purchases of fur skins and general working capital. The Group has obtained banking facilities of up to HK\$100 million with (i) a corporate guarantee provided by the Company and (ii) restrictions that (a) the net external gearing ratio shall not more than 150% and (b) 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 80.0% as at 30 June 2013 (31 March 2013: 24.4%).

The Directors consider that the Group met and will be able to meet the conditions of the banking facilities for the three months ended 30 June 2013 and in the future.

### **Pledge of assets**

As at 30 June 2013, the Group did not pledge any of its assets for bank borrowings (31 March 2013: Nil).

### **Capital commitments**

As at 30 June 2013, the Group did not have any significant capital commitments (31 March 2013: HK\$396,500).

### **Contingent liabilities**

As at 30 June 2013, the Group granted a corporate guarantee to secure general banking facilities up to HK\$100 million. (31 March 2013: HK\$50 million).

## **Material acquisitions or disposals and significant investments**

On 6 March 2013, Trade Region, 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 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 consider that businesses of Loyal Speed will 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 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 at DKK11,130,000 (equivalent approximately HK\$15,137,000).

## **Employee information**

As at 30 June 2013, the Group had a total of 24 staff members including Directors (31 March 2012: 12). Staff costs including Director's remuneration amounted to approximately HK\$2.1 million for the three months ended 30 June 2013 (three months ended 30 June 2012: approximately HK\$0.6 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, Pre-IPO Share Options and options that may be granted under the Share Option Scheme.

## **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 consider 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 ensuring sufficient liquid cash and adequate committed lines of funding from reputable financial institutions are available to meet the Group's liquidity requirements in the short and long term.

### 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\$"). The sale and purchase 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 three months ended 30 June 2013, 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 movements in exchange rates between the HK\$ and the US\$ to be insignificant.

During the period 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.

### Share option schemes

The Company has two share option schemes namely, the Pre-IPO Share Option Scheme and the share option scheme (the "Share Option Scheme") which was adopted on 1 August 2012.

#### Pre-IPO Share Option Scheme

The Company has adopted the Pre-IPO Share Option Scheme for the purpose of providing incentives and rewards for eligible participants who contribute to the success of the Group's operations on 1 August 2012. In accordance with the Pre-IPO Share Option Scheme, the Company granted 80,640,000 share options.

| Name or category of participant | Number of share options |                           |                             | As at 30 June 2013 | Date of grant of share options | Exercise price of share options HK\$ |
|---------------------------------|-------------------------|---------------------------|-----------------------------|--------------------|--------------------------------|--------------------------------------|
|                                 | As at 1 April 2013      | Granted during the period | Exercised during the period |                    |                                |                                      |
| <i>Directors</i>                |                         |                           |                             |                    |                                |                                      |
| Mr. WONG Chun Chau              | 36,480,000              | —                         | —                           | 36,480,000         | 1 August 2012                  | 0.208                                |
| Ms. Kwok Yin Ning               | 24,000,000              | —                         | —                           | 24,000,000         | 1 August 2012                  | 0.208                                |
| Consultant                      | 14,400,000              | —                         | —                           | 14,400,000         | 1 August 2012                  | 0.26                                 |
| <i>Employees</i>                | 5,760,000               | —                         | —                           | 5,760,000          | 1 August 2012                  | 0.26                                 |
|                                 | 80,640,000              |                           |                             | 80,640,000         |                                |                                      |

## **Share Option Scheme**

The Company adopted the Share Option Scheme on 1 August 2012, which was approved by the shareholders' written resolutions and is valid and effective for a period of 10 years. It is a share incentive scheme and is established to recognize and motivate the contribution of the eligible participants and to provide them with a direct economic interest in attaining the long term business objectives of the Company. Pursuant to the Share Option Scheme, the Board may, at its discretion, offer to grant an option to any Director, employee and any advisor or consultant who has contributed or is expected to contribute to the Group.

The total number of Shares in respect of which share options may be granted under the Pre-IPO Share Option Scheme and Share Option Scheme is not permitted to exceed 10% of the total number of issued Shares as at the date of listing of the Shares.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme to eligible participants in any 12 months period up to the date of grant shall not exceed 1% of the Shares in issue as the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the approval of shareholders in a general meeting.

As at 30 June 2013, no share options have been granted under the Share Option Scheme.

## **Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures**

As at 30 June 2013, save for the interest of the Directors below, neither of the Directors nor the Chief Executive of the Company had interests and/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 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 dealings by directors as referred to in Rule 5.48 to Rule 5.67 of the GEM Listing Rules.



### Long position in Shares

| Name                                 | Nature of Interest                 | Number of Shares | Approximate Percentage of Shareholding in the Company |
|--------------------------------------|------------------------------------|------------------|---|
| Mr. WONG, Chun Chau<br>(Note 1)      | Interest of controlled corporation | 720,000,000      | 62.5%   |
| Mr. Jean-pierre PHILIPPE<br>(Note 2) | Interest of controlled corporation | 1,350,000        | 0.1%  |

Note 1: Under the SFO, Mr. Wong is deemed to be interested in 720,000,000 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 1,350,000 Shares which are held by Aglades Investment Pte Limited, a company wholly owned by Mr. Philippe.

### 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 Pre-IPO Share Option Scheme were exercised |
|---------------------|--------------------|---------------|---|---|
| Mr. WONG, Chun Chau | Beneficial owner   | 36,480,000    | 3.2%  | 3.0%  |
| Ms. KWOK, Yin Ning  | Beneficial owner   | 24,000,000    | 2.1%  | 1.9%  |

Save as disclosed above, none of the Directors or the chief executives of the Company had any interest or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations at 30 June 2013.

## Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 30 June 2013, 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 were required to be recorded in the register and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

### Long position in Shares

| Name                                       | Nature of Interest | Number of Shares | Approximate Percentage of Shareholding in the Company |
|--|--------------------|------------------|---|
| Trader Global Investments Limited (Note 1) | Beneficial owner   | 720,000,000      | 62.5%   |
| Carafe Investment Company Limited (Note 2) | Beneficial owner   | 59,000,000       | 5.1%  |

Note 1: The entire issued share capital of Trader Global Investments Limited is owned by Mr. Wong

Note 2: The entire issued share capital of Carafe Investment Company Limited is owned by Mr. Merzbacher Werner

Save as disclosed above, as at 30 June 2013, the Directors are 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 member 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.

### Purchase, sale or redemption of listed securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 June 2013.

### Competing interests

None of the Directors, controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interests in any business which compete or may compete with the business of the Group or any other conflicts of interest with the Group as at 30 June 2013.

### Interest of compliance adviser

As notified by VC Capital Limited ("VC Capital"), the Company's compliance adviser, neither VC Capital nor any of its directors or employees or associates had any interest in the Company which is required to be notified to the Group pursuant to Rules 6A.32 of the GEM Listing Rules as at 30 June 2013.

## **Audit committee**

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the GEM Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process, internal control system and the Group's financial statements. The Audit Committee comprises a total of three members, namely, Mr. Ang Wing Fung, Mr. Tang Tat Chi and Mr. Jean-pierre Philippe, all of whom are independent non-executive Directors. The Group's unaudited consolidated results and the quarterly report for the three months ended 30 June 2013 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.

By Order of the Board  
**UKF (Holdings) Limited**  
**Wong Chun Chau**  
*Chairman*

Hong Kong, 12 August 2013

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

*Executive Directors:*

Wong Chun Chau (*Chairman*)

Kwok Yin Ning

*Independent Non-executive Directors:*

Ang Wing Fung

Tang Tat Chi

Jean-pierre Philippe

*For the purpose of illustration only and unless otherwise stated, conversion of DKK to HK\$ in this report is based on the exchange rate of DKK1.00 to HK\$1.36. 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.*