



UKF (HOLDINGS) LIMITED

英裘(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

GEM stock code: 8168



Interim 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.

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\$1.43. Such conversion should not be construed as a representation that any amount have been, could have been, or may be exchanged at this or any other rate.

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Financial highlight

- Recorded an unaudited turnover of approximately HK\$151.7 million for the six months ended 30 September 2013, representing a decrease of approximately 1.4% over the same period of the previous year.
- Recorded an unaudited profit attributable to the equity holders of the Company of approximately HK\$20.8 million for the six months ended 30 September 2013, representing an increase of approximately 101.6% over the same period of the previous year.
- Basic earnings per share for the six months ended 30 September 2013 were HK1.53 cents (2012: HK1.34 cents).
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2013.

Chairman's statement

Interim results

The unaudited turnover of the Company and subsidiaries (collectively the "Group") for the six months ended 30 September 2013 was approximately HK\$151.7 million, representing a slight decrease of approximately 1.4% from approximately HK\$153.8 million during the same period in 2012.

The gross profits for the Group were approximately HK\$36.9 million and HK\$23.0 million for the six months ended 30 September 2013 and 30 September 2012 respectively, representing an increase of approximately 60.6%. The increase in gross profit was primarily due to the increase in mink skin prices during the period under review and the enlargement of the customer base after the acquisition of Loyal Speed Limited ("Loyal Speed").

Further, the Group recorded an unaudited profit attributable to equity holders of the Company of approximately HK\$20.8 million for the six months ended 30 September 2013, representing a significant increase of approximately 101.6% over the same period of the previous year.

Business review

The second quarter of 2013 saw great rewards, as it was the peak season for fur manufacturers to prepare orders for the winter season. In addition to the continuously increasing demand from China and Russian markets which was reported in our first quarterly report dated 15 August 2013, high demand from the traditional fur production countries, like Greece and Turkey, as depicted in September auctions in Copenhagen and Helsinki boosted the auction prices of fur skins. In summary, the growing demand of fur skins for production in several countries well supported the development of fur skin trading market.

The September auctions sold by Copenhagen Fur set a new record for the number of fur skins. During the auctions, over 21 million skins were sold at an average price of approximately US\$102.4 for a turnover of approximately US\$2.4 billion.

Trading

Blue Fox and Mink skin prices continued to set new records across all auctions in the second quarter. The average price of Blue Fox skins and Mink skins had a year-on-year increase of approximately 55.5% and approximately 22.7% respectively.

With the positive consumer reaction to campaigns of top luxury brands, the demand for top quality skins stood high. With the limited supply of top quality skins at auctions, the Group easily traded these skins with good profits.

Furthermore, the Group further established relationship with its long-term customers, which had secured large orders throughout the first half-year.

Mink farms

The first three farms acquired in March and May continued to produce good quality livestock. The care taking of the animals is of high standard and the Minks are shown to be very healthy.

The Group's Area Manager, John Eggert, has done a fantastic job at establishing management structures with all three Danish farm managers while improving maintenance and all other aspects on the mink farms. In addition, he has dedicated enormous effort to integrate into the mink farmers network and seek new farm acquisition opportunities.

Prospects

With the average price of Mink fur skins increasing by approximately 22.7% and Blue Fox fur skins by approximately 55.5% over the previous year, the Company is pleased to see the fur industry thriving. As luxury brands like Hermes and Fendi are receiving popular response after the recent release of their fall and winter fur skins collections, it is evident that the demand for quality fur will continue to be strong. As the auction prices for fur skins continued to climb, we expect generous profits from our inventory.

The acquisition of Loyal Speed continues to prove to be a solid investment as the increase in demand for fur has antagonistically raised the need for funding. The Group gives great care and attention to our relationships with customers to ensure that we continue to develop great business together.

To further support the Group's growing portfolio of Mink farms, we have invested time to increase the technical skills of our staff. John Eggert, our Area Manager, has attended a certified sorting course with specifics in quality and breeding, and has obtained license in respect of living animals transportation.

With regard to the three mink farms acquired in March and May, several improvements have been made to the structure, management and breeding quality. The Group has been working alongside Copenhagen Fur to devise a breeding program across all farms to improve quality and size. This will include the transportation of higher graded breeders from our highest performing farm to the remaining farms. Our goal is to enhance the overall quality of our fur skins to produce the best quality. In addition, the Group has selected to increase the breeding of pearl and white coloured minks which are in growing demand.

November is a very critical time for the Group as the breeding season for the year concludes and it is also the time for farmers to evaluate their involvement for the following year. Copenhagen Fur has maintained a significant relationship with the Group and is going to promptly inform us of opportunities to acquire mink farms from farmers who are about to retire. With the positive market trend good relationships with customers and auction houses and enhancement of productivity, the Group's future remains on the steady road to a profitable year.

Wong Chun Chau

Chairman

Hong Kong, 1 November 2013

The board of Directors (the “Board”) is pleased to present the unaudited condensed consolidated results of the Group for the three months and six months ended 30 September 2013 together with comparative unaudited figures for the corresponding period(s) in 2012, as follows:

Unaudited condensed consolidated statement of profit or loss and other comprehensive income

For the three months and six months ended 30 September 2013

	Notes	Three months ended 30 September		Six months ended 30 September	
		2013 HK\$ (unaudited)	2012 HK\$ (unaudited)	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)
Turnover	4	73,816,681	93,735,994	151,673,823	153,801,253
Cost of sales		(53,677,517)	(79,626,686)	(114,753,576)	(130,808,638)
Gross profit		20,139,164	14,109,308	36,920,247	22,992,615
Other income	5	1,869,080	394,101	2,188,138	424,142
Change in fair value less cost to sell of biological assets		341,794	—	906,260	—
Administrative expenses		(7,871,218)	(6,650,667)	(15,272,851)	(9,188,595)
Finance costs	6	(1,767,780)	(821,067)	(2,611,176)	(1,038,580)
Profit before tax	7	12,711,040	7,031,675	22,130,618	13,189,582
Income tax expenses	8	(1,022,964)	(1,732,172)	(1,378,300)	(2,898,144)
Profit for the period and attributable to equity holders of the Company		11,688,076	5,299,503	20,752,318	10,291,438
Other comprehensive expenses Items that may be reclassified subsequently to profit or loss:					
Exchange difference on translation of overseas operations		(41,493)	—	(49,218)	—
Total comprehensive income for the period and attributable to equity holders of the Company		11,646,583	5,299,503	20,703,100	10,291,438
Earnings per share (cents)	10				
Basic		0.75	0.65	1.53	1.34
Diluted		0.73	0.65	1.50	1.34

Unaudited condensed consolidated statement of financial position

As at 30 September 2013

	Notes	30 September 2013 HK\$ (unaudited)	31 March 2013 HK\$ (audited)
Non-current asset			
Property, plant and equipment	11	28,717,169	15,756,136
Investment properties		1,455,182	741,262
Goodwill		74,425,332	—
Deferred tax asset		756,810	503,089
		105,354,493	17,000,487
Current assets			
Biological assets		18,874,240	5,990,558
Inventories		44,144,028	88,978,954
Trade and other receivables	12	67,420,756	52,611,026
Loan receivables	13	123,615,993	—
Bank balances and cash		49,906,183	134,468,472
		303,961,200	282,049,010
Current liabilities			
Trade and other payables	14	32,438,248	79,798,868
Tax payables		13,263,607	6,562,161
Obligations under finance lease		182,555	—
Bank borrowings	15	79,822,904	31,655,899
		125,707,314	118,016,928
Net current assets		178,253,886	164,032,082
Total assets less current liabilities		283,608,379	181,032,569
Non-current liabilities			
Corporate bond	16	10,000,000	10,000,000
Promissory note	17	18,000,350	—
Obligations under finance lease		305,833	—
Deferred tax liability		92,778	7,470
		28,398,961	10,007,470
Net assets		255,209,418	171,025,099
Capital and reserves			
Share capital	18	16,517,760	11,520,000
Reserves		238,691,658	159,505,099
Total equity		255,209,418	171,025,099

Unaudited condensed consolidated statement of changes in equity

For the six months ended 30 September 2013

	Share capital HK\$	Share premium HK\$	Merger reserve HK\$	Share options reserve HK\$	Warrants reserve HK\$	Translations reserve HK\$	Retained profits HK\$	Total HK\$
At 1 April 2012 (audited)	78,000	—	—	—	—	—	28,577,489	28,655,489
Dividend paid	—	—	—	—	—	—	(8,280,000)	(8,280,000)
Shares swap pursuant to group reorganisation (Note 18(a))	7,122,000	—	(7,122,000)	—	—	—	—	—
Issue of shares upon listing (Note 18(c))	2,400,000	60,000,000	—	—	—	—	—	62,400,000
Shares issue expenses	—	(3,737,547)	—	—	—	—	—	(3,737,547)
Recognition of equity-settled share based payments	—	—	—	1,140,477	—	—	—	1,140,477
Profit for the period and total comprehensive income for the period	—	—	—	—	—	—	10,291,438	10,291,438
At 30 September 2012 (unaudited)	9,600,000	56,262,453	(7,122,000)	1,140,477	—	—	30,588,927	90,469,857
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
Dividend paid	—	—	—	—	—	—	(8,257,760)	(8,257,760)
Issue of shares upon exercise of Pre-IPO share options (Note 18(f))	334,400	9,498,025	—	(2,800,105)	—	—	—	7,032,320
Issue of shares upon bonus issue (Note 18(e))	2,359,360	(2,359,360)	—	—	—	—	—	—
Issue of shares by placing (Note 18(g))	2,304,000	62,208,000	—	—	—	—	—	64,512,000
Expenses attributable to issue of shares	—	(1,831,793)	—	—	—	—	—	(1,831,793)
Issue of warrants	—	—	—	—	570,000	—	—	570,000
Expenses attributable to issue of warrants	—	—	—	—	(366,819)	—	—	(366,819)
Recognition of equity-settled share based payment	—	—	—	1,066,955	—	—	—	1,066,955
Issue of share options	—	—	—	756,316	—	—	—	756,316
Other comprehensive expenses for the period	—	—	—	—	—	(49,218)	—	(49,218)
Profit for the period and total comprehensive income for the period	—	—	—	—	—	—	20,752,318	20,752,318
At 30 September 2013 (unaudited)	16,517,760	182,164,593	(7,122,000)	3,585,075	203,181	(56,940)	59,917,749	255,209,418

Unaudited condensed consolidated statement of cash flows

For the six months ended 30 September 2013

	Six months ended 30 September	
	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)
Net cash used in operating activities	(106,701,926)	(65,834,196)
Net cash used in investing activities	(76,308,657)	(41,219)
Net cash generated from financing activities	99,375,655	69,332,643
Effect of foreign exchange rates changes	(927,361)	—
Net (decrease)/increase in cash and cash equivalents	(84,562,289)	3,457,228
Cash and cash equivalents at 1 April	134,468,472	9,173,880
Cash and cash equivalents at 30 September, represented by bank balances and cash	49,906,183	12,631,108

Notes to the unaudited condensed consolidated financial statements

For the three months and the six months ended 30 September 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 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 interim financial statements have not been audited.

2. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

3. Principal accounting policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2013 are the same as those followed in the preparation of the Group’s financial information for the year ended 31 March 2013 as included in the annual report 2013 of the Company (“Annual Report”).

3. Principal accounting policies *(Continued)*

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

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

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early adopted new or revised HKFRSs, interpretations and amendments (hereinafter collectively referred to as “New HKFRSs”) that have been issued but are not yet effective as set out in the Annual Report.

In addition, the following amendments to HKFRSs have been issued but are not effective subsequent to the publication of the Annual Report on 28 May 2013:

HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities ¹
HKFRS 9	Financial Instruments ²
HKAS 32 (Amendments)	Presentation — Offsetting Financial Assets and Financial Liabilities ¹
HKAS 36 (Amendments)	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting ¹
HK (IFRIC) Interpretation 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 January 2015

The directors of the Company (the “Directors”) anticipate that the application of these new and revised HKFRSs will have no material impact on the results and the financial position of the Group in the future.

4. 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 (i.e. the Board) in order to allocate resources to the segments and to assess their 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 September		Six months ended 30 September	
	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)
Trading of fur skins	73,131,301	93,735,994	149,824,746	153,801,253
Mink farming	685,380	—	1,849,077	—
	73,816,681	93,735,994	151,673,823	153,801,253

Geographical information

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

	Three months ended 30 September		Six months ended 30 September	
	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)
PRC	65,173,056	87,293,792	114,444,334	130,128,656
Europe	4,120,486	499,187	14,718,250	14,258,597
Russia	—	—	13,490,044	2,460,619
Canada	—	—	2,086,204	—
Hong Kong	4,523,139	5,943,015	6,934,991	6,953,381
	73,816,681	93,735,994	151,673,823	153,801,253

5. Other income

	Three months ended 30 September		Six months ended 30 September	
	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)
Bank interest income	135	20	497	32
Exchange gain, net	1,740,891	257,438	1,894,756	286,385
Rental income	50,671	—	57,681	—
Sundry income	77,383	—	235,204	—
Bonus and rebate from auction houses	—	4,794	—	5,876
Brokerage commission	—	131,849	—	131,849
	1,869,080	394,101	2,188,138	424,142

6. Finance costs

	Three months ended 30 September		Six months ended 30 September	
	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)
Interest wholly repayable within five year:				
Trust receipt loan interest	567,215	268,287	1,011,850	374,464
Term loan interest	83,525	—	112,292	—
Overdraft interest	4,256	192	4,930	2,319
Imputed interest on promissory note	285,153	—	380,204	—
Interest on finance lease	1,832	—	1,832	—
Corporate bond interest	137,499	—	274,998	—
Auction interest	168,038	378,707	173,636	388,624
Auction finance interest	520,262	173,881	651,434	273,173
	1,767,780	821,067	2,611,176	1,038,580

7. Profit before tax

	Three months ended 30 September		Six months ended 30 September	
	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)
Profit before tax has been arrived at after charging:				
Cost of inventories recognized as expenses	53,634,054	62,004,310	114,642,736	185,095,888
Staff costs (including directors' remuneration)				
— Salaries and allowances	2,134,140	730,190	4,201,171	1,321,880
— Defined contribution retirement benefit scheme contributions	32,795	22,722	62,040	43,936
Depreciation	679,930	6,385	1,169,107	11,395
Equity-settled share-based payments	1,289,793	1,140,477	1,823,271	1,140,477
Loss on fixed assets written off	15,030	—	15,030	—
Operating lease payments	143,161	89,218	268,323	177,402

8. Income tax expenses

	Three months ended 30 September		Six months ended 30 September	
	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)
The charge comprises:				
Hong Kong Profits Tax	777,017	1,726,311	1,551,829	2,893,001
Other jurisdictions	—	—	—	—
	777,017	1,726,311	1,551,829	2,893,001
Deferred taxation	245,947	5,861	(173,529)	5,143
	1,022,964	1,732,172	1,378,300	2,898,144

- (i) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the both periods.
- (ii) Denmark subsidiary is subject to Denmark Income Tax at 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.

9. Dividends

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: Nil).

10. Earnings per share

The calculation of basic and diluted earnings per Share is based on the following data:

	Three months ended 30 September		Six months ended 30 September	
	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)
Profit attributable to the equity holders of the Company for the purpose of basic and diluted earnings per share	11,688,076	5,299,503	20,752,318	10,291,438
Number of shares:				
Weighted average number of ordinary shares for the purpose of the calculation of the basic earnings per share	1,558,786,462	820,219,780	1,354,281,792	769,836,066
Effect of dilutive potential ordinary shares:				
Share options	28,149,701	—	25,339,079	—
Warrants	14,126,979	—	7,024,891	—
Weighted average number of ordinary shares for the purpose of the calculation of the diluted earnings per share	1,601,063,142	820,219,780	1,386,645,762	769,836,066

The denominators used are the same as those detailed above for both basic and diluted earnings per Share.

The weighted average number of ordinary shares in issue during the six months ended 30 September 2012 of 769,836,066 Shares on the assumption that 720,000,000 shares of HK\$0.01 each (the “Shares”), representing the number of shares of the Company immediately after the Reorganisation as disclosed in Appendix V to the Prospectus but excluding any shares to be issued pursuant to the placing as described in the Prospectus (“IPO Placing”) had been effective on 1 April 2012.

11. Movements in property, plant and equipment

During the six months ended 30 September 2013, the Group spent HK\$14,240,156 (six months ended 30 September 2012: HK\$41,251) on acquisition of property, plant and equipment, not including property, plant and equipment acquired through acquisition of a subsidiary.

Items of property, plant and equipment with carrying value of HK\$15,030 (six months ended 30 September 2012: HK\$Nil) were written off by the Group during the six months ended 30 September 2013.

12. Trade and other receivables

	30 September 2013 HK\$ (unaudited)	31 March 2013 HK\$ (audited)
Trade receivables	64,406,582	51,253,885
Prepayments	2,206,771	757,566
Deposits and other receivables	807,403	599,575
	67,420,756	52,611,026

The Group offers 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 September 2013 HK\$ (unaudited)	31 March 2013 HK\$ (audited)
0 - 60 days	26,585,861	44,964,541
61 - 90 days	37,820,721	4,027,597
91 - 120 days	—	—
Over 120 days	—	2,261,747
	64,406,582	51,253,885

13. Loan receivables

	30 September 2013 HK\$ (unaudited)	31 March 2013 HK\$ (audited)
Loan to customers	120,472,959	—
Accrued interest receivables	3,143,034	—
	123,615,993	—

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.

14. 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:

	30 September 2013 HK\$ (unaudited)	31 March 2012 HK\$ (audited)
0 - 60 days	19,110,282	50,313,314
61 - 90 days	—	—
91 - 120 days	236,872	26,107,969
Over 120 days	2,636,243	1,659,338
Trade payables	21,983,397	78,080,621
Other payables and accruals	10,454,851	1,718,247
	32,438,248	79,798,868

15. Bank borrowings

	30 September 2013 HK\$ (unaudited)	31 March 2013 HK\$ (audited)
Trust receipt loans	70,882,696	31,655,899
Term loan	8,940,208	—
	79,822,904	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

	30 September 2013 HK\$ (unaudited)	31 March 2013 HK\$ (audited)
Issued during the period	17,620,146	—
Imputed interest	380,204	—
	18,000,350	—

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 ordinary shares HK\$
Ordinary shares of HK\$0.01 each Authorised:			
As at 30 September 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
Issue of Shares upon bonus issue	(e)	235,936,000	2,359,360
Issue of Shares on exercise of Pre-IPO share options	(f)	33,440,000	334,400
Issue of Shares by top-up placing and top-up subscription	(g)	230,400,000	2,304,000
At 30 September 2013		1,651,776,000	16,517,760

18. Share capital *(Continued)*

- (a) Pursuant to written resolutions of the directors of the Company 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 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 the Company with 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 Shares 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.
- (d) On 7 March 2013, the Company issued and allotted 192,000,000 new Shares at a price of HK\$0.325 each as a result of the top-up placing and subscription.
- (e) On 15 July 2013, the Company issued one bonus Share for every five existing Shares on 5 July 2013. The issued share capital of the Company was therefore increased by 235,936,000 Shares of HK\$0.01 each accordingly.

Upon the completion of the bonus issue, approximately HK\$235,936,000 was credited to share capital and the same amount was debited to the share premium account.

- (f) During the six months ended 30 September 2013, 33,440,000 new Shares were issued on exercise of 33,400,000 share options (“Pre-IPO Share Options”) under the pre-IPO Share option scheme adopted by the Company on 1 August 2012 (“Pre-IPO Share Option Scheme”) at an aggregate consideration of HK\$7,032,320 of which HK\$334,400 was credited to share capital and the remaining balance of HK\$6,697,920 was credited to the share premium account. In addition, an amount attributable to the related Pre-IPO share options of HK\$2,800,105 has been transferred from share option reserve to the share premium account.
- (g) On 24 July 2013, the Company issued and allotted 230,400,000 new Shares at a price of HK\$0.28 each 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 the fair value was HK\$17,620,146 as at the issue date. The transaction has been accounting 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)
Net assets acquired	14,194,814
Goodwill arising from acquisition	74,425,332
Total consideration	88,620,146
Consideration satisfied by:	
Cash	71,000,000
Promissory note at fair value	17,620,146
	88,620,146
Net cash outflow arising on acquisition:	
Consideration paid in cash	(71,000,000)
Cash and bank balances acquired	8,931,002
	(62,068,998)

20. Share-based payment transactions

Share option scheme

Pursuant to a written resolution of the Company passed on 1 August 2012, the Company has conditionally adopted the share option scheme (the "Share Option Scheme") on 1 August 2012 for the primary purpose of providing incentive to eligible participants. The total number of Shares in respect of which share options granted under the Share Option Scheme as at 30 September 2013 was 12,250,000 which represented approximately 0.74% of the issued share capital of the Company as at 30 September 2013.

20. Share-based payment transactions *(Continued)*

Share option scheme *(Continued)*

The following share options were outstanding under the Share Option Scheme during the six months ended 30 September 2013:

Name or category of participant	Date of grant	Exercise price	As at 1 April 2013	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 September 2013
<i>Directors</i>							
Mr. WONG Chun Chau	13 Aug 2013	0.408	—	12,250,000	—	—	12,250,000

Exercise period of the share options is 24 months commencing from the date of grant of the share option.

The fair value of the options granted was determined by an independent third party, Asset Appraisal Limited, by using Binomial Option Pricing Model, the assumption used to determine the value for the Scheme were as follows:

Vesting period	Underlying share value	Exercise multiple (Note 1)	Risk free rate (Note 2)	Volatility (Note 3)	Employee exit rate post-vesting (Note 4)	Dividend yield (Note 5)
Nil	HK0.385	2.8	0.28	35.85	Nil	1.82%

Notes:

1. The exercise multiple defines the early exercise strategy
2. Risk free rate presents the yields to maturity of Hong Kong Exchange Fund Note with respective terms to maturity as at the valuation date, 13 August 2013
3. Volatility is the annualized standard deviation of daily return of the Company's and comparable companies share prices with reference to Bloomberg
4. Exit rate post-vesting is the percentage of share option lapsed after the Vesting Period
5. Dividend yield was calculated based on the closing price as at valuation date, 13 August 2013 and the historical dividends per share

The fair value of the granted options amounted for HK\$756,316, which will be charged to profit or loss upon the date of grant.

21. SUBSEQUENT EVENT

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

Management discussion and analysis

Financial review

Turnover

The Group's turnover for the six months ended 30 September 2013 was approximately HK\$151.7 million, representing a slight decrease of approximately 1.4% from approximately HK\$153.8 million of the corresponding period in 2012. The decrease in the turnover was mainly attributable to the Group's reallocation of resources to the newly acquired businesses namely (i) fur skins brokerage and relevant financing services and (ii) mink farming. Nevertheless, the newly acquired business has enriched our business profile in the fur industry and resulted in good profit margin.

Cost of fur skins sold

The cost of fur skins sold amounted to approximately HK\$114.8 million for the six months ended 30 September 2013, representing a decrease of approximately 12.3% from approximately HK\$130.8 million of the corresponding period in 2012. The decrease in the cost of fur skins sold was mainly attributable to the decrease in sales of fur skins for the six months ended 30 September 2013 as compared with the six months ended 30 September 2012.

Gross profit and gross profit margin

The gross profit of the Group were approximately HK\$36.9 million and HK\$23.0 million for the six months ended 30 September 2013 and 2012 respectively, representing an increase of approximately 60.6%. The gross profit margin of the Group increase from approximately 14.9% for the six months ended 30 September 2012 to approximately 24.3% for the six months ended 30 September 2013. The increase in gross profit was primarily due to increase in price of mink skins during the six months ended 30 September 2013 and the enlarged customer base after the acquisition of Loyal Speed. The average price of mink skins had a year-on-year increase by approximately 22.7%. The Group has conducted less resale through auction houses for the six months ended 30 September 2013 due to the relatively stable market price of fur skins and the keen demand from the PRC and Russia customers. As the gross profit margin attained from the sale of fur skins to other customers is usually higher than that attained from the resale of fur skins through auction house(s), the Group was able to enjoy a higher gross profit margin in the previous quarter by selling the fur skins to customers.

Administrative expenses

The administrative expenses of the Group increased by approximately 66.2% from approximately HK\$9.2 million for the six months ended 30 September 2012 to approximately HK\$15.3 million for the six months ended 30 September 2013. The increase in the administrative expenses of the Group for the six months ended 30 September 2013 was primarily due to (i) the increase in equity-settled share based payment arising from the grant of share options; and (ii) increase in staff salaries, depreciation, legal and professional fee as a result of the acquisition of Loyal Speed and mink farms in Denmark by the Group during the six months ended 30 September 2013.

Finance costs

The finance costs of the Group increased by approximately 151.4% from approximately HK\$1.0 million for the six months ended 30 September 2012 to approximately HK\$2.6 million for the six months ended 30 September 2013. The increase in the finance costs of the Group for the six months ended 30 September 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 September 2013, the Group obtained new banking facilities of up to HK\$130 million; therefore, the trust receipt loan interest and term loan interest increased significantly. Further, as the Group issued a corporate bond in a 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 six months ended 30 September 2013. As part of consideration for the acquisition of Loyal Speed on 13 May 2013, the Group issued a promissory note in a principal amount of HK\$20 million and imputed interest was therefore incurred. The fair value of the promissory note was HK\$17,620,146 at the effective interest rate of 6.54% per annum.

Liquidity, financial resources and capital structure

The Group generally finances its operations with internally generated cash flow, bank borrowings and corporate bond. The Group maintained bank balances and cash of approximately HK\$49.9 million as at 30 September 2013 (as at 31 March 2013: approximately HK\$134.5 million). The net assets of the Group as at 30 September 2013 were approximately HK\$255.2 million (as at 31 March 2013: approximately HK\$171.0 million).

On 16 July 2013, the Group issued warrants to subscribe for 114,000,000 Shares at the exercise price of HK\$0.32 per Share within 1 year commencing from that day. The details of the warrants have been disclosed in the announcement and circular of the Company dated 26 May 2013 and 13 June 2013 respectively. The net proceeds to be raised from the issue of Shares underlying the warrants were intended to be used as general working capital, including for its newly acquired business, that is, the mink farms in Denmark and the provision of finance for its fur skin brokerage customers.

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

As at 30 September 2013, the Group had bank borrowings, which represented trust receipt loans and term loan of approximately HK\$70.9 million and approximately HK\$8.9 million respectively to finance its purchases of fur skins and general working capital. The Group has obtained the banking facilities of up to HK\$130 million with (i) all monies charge on cash deposit of HK\$4,000,000, (ii) corporate guarantees provided by the Company and (iii) the requirements that the net external gearing ratio shall not be more than 150% and the net assets of the Group shall grow by at least HK\$15 million annually. The net external gearing ratio representing the ratio of total interest bearing borrowings (including promissory note which incurred imputed interest) to the net assets of the Group, was 42.4% as at 30 September 2013 (31 March 2013: 24.4%).

The Directors consider that the Group can meet the conditions of the banking facilities for the six months ended 30 September 2013 and in the future.

Pledge of assets

As at 30 September 2013, the Group has pledged a cash deposit of HK\$4,000,000 to secure general banking facilities (31 March 2013: Nil).

Capital commitments

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

Contingent liabilities

As at 30 September 2013, the Group granted corporate guarantees to secure general banking facilities up to HK\$130 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 a 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 SPA, Cheer Dragon International Limited (the “Vendor”) guaranteed that the net profit (after tax and deducting extraordinary items) of Loyal Speed for the year ended 31 March 2013 would not be less than HK\$14 million (the “2013 Guaranteed Profit”) and the sum of all receivables (other than prepayments) of Loyal Speed as at 31 March 2013 (the “2013 Aggregate Receivables”) would be collected by 30 September 2013 (the “Receivables Guarantee”).

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

Pursuant to the announcement dated 10 May 2013, UKF (Denmark) A/S, and 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\$15,915,900).

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

Future plans for material investments or capital assets and expected sources of funding

Save as disclosed under “Comparison of Future Plans and Prospects with Actual Business Progress” in this report, the Group did not have any specific plan for material investment or capital assets as at 30 September 2013.

Employee information

As at 30 September 2013, the Group had a total of 24 staff members including Directors (31 March 2013: 12). Staff costs including Director's remuneration amounted to approximately HK\$4.2 million for the six months ended 30 September 2013 (six months ended 30 September 2012: approximately HK\$1.3 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 members 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 of Directors considered 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 sales and purchases transactions of the Group have 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 period, 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.

Comparison of future plans and prospects with actual business progress

An analysis comparing the future plans and prospects as contained in the Prospectus with the Group's actual business progress for the period from 6 August 2012, being the latest practicable date as defined in the Prospectus, to 30 September 2013 (the "Relevant Period") is set out below:

	Future plans and prospects	Actual business progress during the Relevant Period
Expand customer network	Participate in the fur exhibitions and fairs to be held in the PRC and Hong Kong. Place advertisements on fur magazines to promote the business of the Group	The Group has placed advertisements on a fur magazine and participated in fur fair in Hong Kong to promote the business of the Group
Enhance ability to purchase more fur skins from the Kopenhagen Fur ("KF") and Saga Furs Oyj ("Saga")	Deploy more resources in sourcing fur skins in KF and Saga	The Group sourced more fur skins at the favorable price in KF and Saga in September and December 2012 and February 2013
Strengthen the source of procurement by purchasing fur skins from two additional auction houses in Canada and the United States	Participate in the auctions to held by North American Fur Auction ("NAFA") in Canada and American Legend Cooperative ("ALC") in the United States	The Group has commenced to purchase fur skins in NAFA, Canada since September 2012
Enhance the technical skills of the staff	Arrange staff to enroll and attend courses on selecting sorting and distinguishing fur skins offered by Saga and KF	The Group has arranged staff members to attend courses offered by Saga and KF
Expand the business of the Group through acquisition or cooperation	Acquire or cooperate with other fur companies to further expand the business of the Group	The Group has part of the fund raised from the IPO Placing to acquire the entire issue capital of Loyal Speed.

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

The table below sets out the comparison of the adjusted use and actual use of net proceeds from the IPO Placing from the date of listing (i.e. 24 August 2012), to 30 September 2013:

	Adjusted use of proceeds in the same manner and proportion as shown in the Prospectus during the Relevant Period HK\$ million	Actual use of proceeds during the Relevant Period HK\$ million
Expand customer network	0.9	0.3
Enhance ability to purchase more fur skins from the Auction Houses	27.9	27.9
Strengthen the source of procurement by purchasing fur skins from two addition auction houses in Canada and the United States	8.0	8.0
Enhance the technical skills of the staff	0.4	0.1
Expand the business of the Group through acquisition or cooperation	7.1	7.1
General working capital	3.1	3.1
	47.4	46.5

The Board will constantly evaluate the Group's business objective and will change its plans against the changing market conditions to enhance the business growth of the Group.

Advances to the entities

Pursuant to the Rules 17.15 and 17.17 of the GEM Listing Rules, a disclosure obligation arises where the relevant advance to the entities from the Group exceeds 8% under the assets ratio as defined under Rule 19.07(1) of the GEM Listing Rules. As at 30 September 2013, the total assets of the Group were HK\$409,315,693.

As at 30 September 2013, Loyal Speed, an indirect wholly owned subsidiary of the Company, has advances to two fur brokerage customers, namely Fur Supply (China) Limited (the "FSC Loans") and Modern Fur Company Limited (the "MF Loans") to finance their purchase of fur skins from the auction houses.

The table below sets out the details of the FSC Loans and MF Loans as at 30 September 2013:

	FSC Loans	MF Loans
Amount due to the Group	HK\$81,834,229	HK\$38,638,730
Credit Term	180 days	180 days
Interest Rate	1.2% per month if the repayment is made within the first 90 days of the credit period;	12% per annum if the repayment is made within the first 120 days of the credit period;
	1.5% per month if the repayment is made after the first 90 days of the credit period	14.4% per annum if the repayment is made after the first 120 days of the credit period
Collateral	The fur skins purchased with the relevant part of the FSC Loan	The fur skins purchased with the relevant part of the MF Loan

Share options schemes

The Company has two share option schemes namely, the Pre-IPO Share Option Scheme and the Share Option Scheme, both of which were 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.

The following share options were outstanding under the Pre-IPO Share Option Scheme during the six months ended 30 September 2013:

Name or category of participant	As at 1 April 2013	Granted during the period	Number of share options			As at 30 September 2013	Date of grant of share options	Exercise price of share options	Adjusted exercise price of share options
			Exercised during the period	Lapsed during the year	Adjusted number of share options				
					(Note)			(Note)	
							HK\$	HK\$	
<i>Directors</i>									
Mr. WONG Chun Chau	36,480,000	—	(16,400,000)	—	4,016,000	24,096,000	1 August 2012	0.208	0.173
Ms. KWOK Yin Ning	24,000,000	—	(10,800,000)	—	2,640,000	15,840,000	1 August 2012	0.208	0.173
<i>Consultant</i>	14,400,000	—	(5,760,000)	—	2,880,000	11,520,000	1 August 2012	0.26	0.217
<i>Employees</i>	5,760,000	—	(480,000)	—	1,056,000	6,336,000	1 August 2012	0.26	0.217
	80,640,000	—	(33,440,000)	—	10,592,000	57,792,000			

Note:

The number and the exercise price of the share options were adjusted as a result of the issue of one bonus Share for every five then existing Shares held by qualifying shareholders whose names appeared on the register of members of the Company on 5 July 2013.

Share option scheme

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

The following share options were outstanding under the Share Option Scheme during the six months ended 30 September 2013:

Name or category of participant	As at 1 April 2013	Number of share options			As at 30 September 2013	Date of grant of share options	Exercise price of share options HK\$
		Granted during the period	Exercised during the period	Lapsed during the year			
<i>Directors</i>							
Mr. WONG Chun Chau	–	12,250,000	–	–	12,250,000	13 August 2013	0.408

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

As at 30 September 2013, the interests and short positions of the Directors and the chief executive of the Company 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 dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules are as follows:

Long position in Shares

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

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

Note 2: Under the SFO, Mr. Philippe is deemed to be interested in 1,620,000 Shares which are held by Aglades Investment Pte Limited, a company wholly owned 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 Share Option Schemes were exercised
				Approximate Percentage of Shareholding in the Company
Mr. WONG Chun Chau	Beneficial owner	36,346,000	2.20%	2.11%
Ms. KWOK Yin Ning	Beneficial owner	15,840,000	0.96%	0.92%

Save as disclosed a above, as at 30 September 2013, 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 SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 30 September 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 which would fall to be disclosed to the Company and the Stock Exchange under the provisions in Divisions 2 and 3 of Part XV of the SFO:

Long position in shares of the Company

Name	Nature of Interest	Name of Shares	Approximate Percentage of Shareholding in the Company
Trader Global Investments Limited (Note 1)	Beneficial owner	870,300,000	52.69%
Carafe Investment Company Limited (Note 2)	Beneficial owner	85,748,195	5.19%
Mr, Merzbacher WERNER	Interest in controlled corporation	85,748,195	5.19%

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 September 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 would fall to be disclosed to the Company and the Stock Exchange 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 six months ended 30 September 2013.

Corporate governance

The Board is of the view that the Company met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules for the six months ended 30 September 2013.

Securities transactions by directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as referred to in Rule 5.46 of the GEM Listing Rules. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the six months ended 30 September 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 which such person has or may have with the Group as at 30 September 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 share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 September 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 for the six months ended 30 September 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, 1 November 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